THE UNITED STATES OF EUROPE

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PAUL HUTCHINSON

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by

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To

WILLIAM ALLEN WHITE

M. BRIAND'S PLEA
FOR THE FORMATION OF A UNITED STATES OF EUROPE

This has been called a generous idea. Perhaps those who so termed it did so in order not to be obliged to term it imprudent. It has been in the minds of philosophers and poets for generations and now seems to have gained a firmer grip on the minds of people as a whole, owing to the fact that it is seemingly a necessity. In these circumstances certain propagandists come forward in order to canvass the idea further; I confess myself among them. I am not unaware, of course, of the difficulties inherent in such a course or the arguments which may be leveled against it.

It might have been said that it was not for responsible statesmen to launch out on this kind of adventure, but I reflect that on the whole even a wise statesman is entitled to have a grain of folly in his make-up, and I have accordingly advocated this idea. I have advocated it, as it were, in the background. I realize that it is a little outside the scope of the League, although it

seems it is in connection with the League. I do realize that it is to a certain extent outside the purview of the League, and if it were constituted, it would necessarily be constituted under the League.

If this should come about, it has been said that it would be purely economic in character. I entirely disagree with that suggestion because it has about it something of the smack of war, and for my part I do not think we ought to have any system which would have the appearance of putting up one party against any other party; but I do think that where you have a group of peoples, grouped together geographically in Europe, there ought to be some federal link between them. They must have means among themselves of discussing any problems which are of general interest and of establishing the general solidarity of Europe in order that they may know where they stand if really serious differences arise.

It is this connecting link which I desire to establish, and obviously the most important component of this connecting link will be economic agreement, and I believe that in the economic

sphere agreement can be reached. But also there should be a political and social link, which, of course, would in no way affect the sovereignty of the parties involved.

I shall therefore take this opportunity of asking the various representatives of European states at this Assembly whether they will not unofficially consider and study this question in order that at the next Assembly we may be in a position possibly to translate it into reality.

—From a speech delivered before the Tenth Assembly of the League of Nations, meeting at Geneva, Switzerland, 5 September, 1929

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PREFACE

The movement for the establishment of a United States of Europe is a fact that must be reckoned with in the present European situation. But it is such a recent fact that few Americans have grasped its significance, especially for the future. It is the purpose of this book to describe the situation out of which this movement has arisen, and the factors which have made its appearance inevitable.

Within the next few years the proposal to erect a United States of Europe will become of world-wide interest. But it is important to bring this report immediately to the American public without waiting for discussion to grow general in other countries because the development of the project is bound ultimately to affect American politics and even more American industry. The American business man, the American farmer, the American mechanic may one day be called on to mark his ballot in accordance with his attitude toward the formation of a United States of Europe. If that should come to pass, an early introduction

to the subject will help toward a calm understanding before the passions of partisanship make objective consideration impossible.

A trip through Europe in the summer of 1929 provided the material for the present study. In the course of this trip scores of leaders of European opinion were interviewed. In a small group, led by Sherwood Eddy, it was possible to gather the views of such men as S. K. Ratcliffe, H. D. Henderson, H. N. Brailsford, Viscount Cecil, Norman Angell, David Lloyd George, Arthur Henderson, Arthur Greenwood, Hugh Dalton, Seebohm Rowntree, Philip Kerr, Alfred Duff-Cooper and G. P. Gooch in Great Britain; Paul Scott Mowrer, André Siegfried, Pierre de Lanux, Francis Delaisi and Professor Gaston Jeze in France; John Maynard Keynes, M. J. Bonn, Salvadore Madariaga, and Gilbert Murray in Geneva; Dr. Hjalmar Schacht, Geheimrat Kindl, Dr. Walter Simons, Professor Einstein, Geheimrat Kuenzer, Professor Hoetzsch, Direktor Carl Mennicke and Professor Palyi in Germany, together with a considerable number of the leaders of soviet Russia.

At other times, carrying credentials from the

Christian Science Monitor and from the periodical with which I am connected, the Christian Century, there were visits to the centers of Britain's industrial difficulties, and some study of economic conditions in Poland, Czechoslovakia and Austria. This was followed by a period of research at Geneva, in which the resources of the League of Nations, the International Labor Office, and the International Management Institute were placed at my disposal. While I cannot attempt to name all the persons who supplied me with material during the weeks while I was in Geneva, my especial thanks are due Sir Arthur Salter, director of the economic and financial section of the League of Nations; Miss A. C. Bartlett, associate librarian of the League, and Mr. H. C. Kerr, British representative on the staff of the International Management Institute.

Because of his kindness in giving me permission to quote from his illuminating book, "The New Industrial Revolution," and because of the light which, in personal conversation, he threw on the economic conditions which at present characterize European life, my thanks are also

due to Mr. Walter Meakin, economic expert of the London Daily News.

By far the largest part of the material contained in this book was written in Geneva, and published as a series of articles in the Christian Science Monitor. My thanks are due to the Christian Science Publishing Society for their generous permission to incorporate this material in this volume.

As I hope this study makes clear, there are enormous difficulties in the way of realizing the ideal which lies behind the slogan, "A United States of Europe." How those difficulties are to be overcome does not yet appear. I believe, however, that they will be overcome. There is still plenty of vitality in Europe. Her leaders—whether political or industrial or in the ranks of labor—recognize that a new day, bringing new necessities, confronts that continent. Under the compulsion of these new necessities it is reasonable to believe that they will ultimately find a way of transcending the divisions which now condemn millions to poverty and the fear of future war, and of bringing to pass the formation of a Pan-European federation of states.

Chicago, 15 October 1929. P. H.

CHAPTER I

THE BIRTH OF THE UNITED STATES OF EUROPE

1. *A Dream That May Come True*

IS there to be a United States of Europe? Had you asked the question five years ago, the answer, whether affirmative or negative, would have treated the idea as largely academic. Talk about the possibility of a United States of Europe was then on much the same plane as talk about the possibility of the earth growing too cold to sustain life, or about the possibility of an airplane non-stop flight around the globe. The event might come to pass. Indeed, there were reasons for believing that it would come to pass. But it was hardly a pressing concern for this generation.

Today, all that is changed. Discussion of the formation of a United States of Europe is no longer regarded as a mere playing with an attractive, but fanciful, idea. There is no more earnestly discussed and practically considered proposal now occupying the European mind.

The political and economic air of Europe seems all at once to have become saturated with the phrase. During the months just past, investigation in both western and eastern Europe has shown that leaders of public opinion everywhere regard the proposal as one that will have to be dealt with in the immediate future. They may favor it; they may oppose it; at least, they all talk about it. And the talk, whether pro or con, is universally respectful. The day has passed when responsible European leaders are ready to dismiss the whole idea with a smile and a shrug. The possible formation of a European federation of some sort is the livest issue in the life of the continent today.

2. *The Clairvoyance of M. Briand*

Perhaps the universal attention now being given to the proposal for a United States of Europe is due, in large measure, to the advocacy of the idea by M. Briand. When, in July 1929, M. Briand gave an interview to the press in which he spoke of himself as a champion of the idea of European federation, and intimated that he

would support the calling of a European economic conference in the fall to take the first steps toward bringing such a federation into being, he undoubtedly gave the proposal an immediate importance far beyond that it had held in the past. For M. Briand is probably the most powerful single figure in the political life of the continent, and any idea that he advocates is bound to receive careful consideration all over Europe.

But that is not the only reason why M. Briand's championship has marked a milestone in the progress of the Pan-European idea. The French prime minister has a reputation for keeping his ear close to the ground and for an uncanny prescience in foretelling the course of public opinion. European politicians have a way of speaking of Briand's "clairvoyance." When he sends his trial balloons aloft he generally is pretty sure that there is a favorable wind waiting to catch them and waft them to the desired port. He has just given Europe an amazing illustration of his ability to do this by the way in which he picked the outlawry of war idea out of the air, as it were, made it his own, and then pushed it forward to the general ratification of the Pact of Paris.

Four years ago M. Briand sensed, to the hour, the arrival of the peoples of Europe at enough of an appeasement of the war bitterness to make a new program of cooperation possible. Out of his perception came the Locarno treaties. Year before last he sensed, to the hour, the arrival of the peoples of the world at a point where they were ready to place war outside the pale of international law, and to lay down a new basis for international relations. Out of that perception came the Briand-Kellogg pact. Now, even though prime minister of one of the most nationalistic countries in Europe, he stands before the Assembly of the League of Nations and proclaims the necessity for a "federal link" to bind the nations of Europe together. He announces it as his policy to lead in the forging of this "connecting link." The words were carefully chosen. They have immense importance. Naturally, the politicians of Europe, faced by such a daring proposal coming from such a source, are asking themselves, "Has Briand again caught the first rising of a flood tide? Will it carry him on to another, and even greater, triumph?"

3. *Support for M. Briand*

Nor does M. Briand stand alone, even now while the discussion of the United States of Europe idea is comparatively new. At least two of his predecessors in the French premiership, M. Painlevé and M. Herriot, have committed themselves to the idea. In Germany, the late Dr. Stresemann had begun to speak in its advocacy. In Belgium, where the high industrial development makes government especially sensitive to economic dislocations, the powerful foreign minister, M. Hymans, is so much in favor of a federation that he declares that, if a full Pan-European union is at present impossible, then let some smaller group of European states, whose interests are plainly similar, get together. Even the British, although they recognize the gulf between their historic free trade policy and the plan of a Pan-European customs union, express their sympathetic interest in the idea, and their intention to support it, by cooperation if not by membership.

Of course, the idea for a union of the warring states of Europe is not a new one. It dates at least as far back as the political writings of Im-

manuel Kant, and it has been advocated, with more or less vigor, by an unbroken line of intellectuals stretching from the great German philosopher down to H. G. Wells. It is of interest, in view of the present French preoccupation with the idea, to remember that Victor Hugo probably gave the suggestion of a coming European federation the clearest expression which it received during the last century. Thus, Lord Ronald Gower, in his autobiography, "My Reminiscences," speaks of visiting Hugo and the painter, Gustave Doré, on February 1, 1879, and reports Hugo's conversation in this fashion:

"According to Hugo, Europe in the twentieth century will form one great republic, like the United States, of which, of course, France will be the center and the governing power; and Paris, of course, the capital. No more wars will then be possible; and men will wonder as they look back at the obsolete instruments of destruction in the museums what these infernal machines were meant for; and marvel how it was possible that armies could have met each other for the purpose of mutual slaughter at the bidding of those exploded institutions, monarchies. The

race of great captains is at an end; nor does Victor Hugo or the Almighty intend that any more great soldiers should exist. The late war was a proof of this! That was indeed but a war of machines and engineering. France is all the better for that war; a war which has enriched her and ruined the Germans. 'L'argent que nous leur avons donné,' said Hugo, has only impoverished them and made us rich. The English, he thinks, will be the last of the European nations to conform to the republican confederation, but sooner or later they will have to do so."

Discussion of this sort, as was said at the beginning, has been largely academic in tone. It has treated the union of European peoples as a utopian dream, considered by most practical people a little too good to come true. But to the credit of Europe's intellectuals it needs to be said that there has never been a time, even when the nationalistic divisions of the continent were strongest, when some thinkers of importance were not holding aloft the ideal of a union that should transcend and absorb all differences.

In recent years, however, the movement for a unification of Europe has passed out of the hands

of the intellectuals and has become part of the program of some of the most astute statesmen and industrialists of the continent. A feeling of desperation at the political and economic problems which have grown out of the war has hastened this development. With the treaty of Versailles ten years old, and with post-war Europe covered with a network of commercial and political agreements that are supposed to hasten the solution of difficulties bequeathed by the war, it is everywhere recognized that some of the fundamental problems are drifting away from rather than toward solution. Such are the problems of tariffs, of minorities, of disputed boundaries, of surplus populations. And as the perception of the difficulty of these problems has grown, there has grown with it the belief that they are beyond the solution of single states. If they are to be solved at all, it must be by the states acting as a unit. This is the basis on which rests the present movement to establish a United States of Europe.

4. *The Prophet of Pan-Europe*

If one seeks a single man to name as the prophet of the movement in its present form, one is bound to recount the work of one of the most romantic figures in Europe, Count Richard N. Coudenhove-Kalergi. When the influence which this single man has already exerted is considered, it does not seem fantastic to believe that the Pan-European Union which he preaches may be established in this generation. It is only six years since he wrote the book, "Pan-Europe," which gave the idea and the phrase, "a United States of Europe," to the continent. Yet in these six years, by ceaseless agitation and organization, Count Coudenhove-Kalergi has made his ideas a part of the practical considerations of every government in Europe. For a modern parallel to his achievement one can think only of the influence of the American lawyer, S. O. Levinson, on the movement for the international outlawry of war.

Count Coudenhove-Kalergi brought a strange heritage to his study of European problems. Born in 1894, he is the son of one of the most

distinguished diplomats and linguists of the Austria of that day. The principal interest of his father's life was in the abolition of racial antagonism, particularly as between Jews and Christians. The count's mother, however, was a Japanese, and it may be that this Oriental inheritance has played its part in increasing the breadth of his international outlook.

Taking his doctorate in the University of Vienna at an exceptionally early age, Count Coudenhove-Kalergi later became a professor in that famous institution. His classes were crowded. But the problems of post-war readjustment—problems which lay so heavily on Austria—more and more engaged his attention until, in 1923, he published his book, "Pan-Europe." Many books are called epochal, but few deserve that adjective. Yet it is doubtful whether any book published in Europe since the war has had such immediate and far-reaching results.

In his book Count Coudenhove-Kalergi said: "The cause of Europe's decline is political, not biological. Europe is not dying of old age, but because its inhabitants are killing and destroying

one another with the instruments of modern science. As regards quality, Europe is still the most productive human reservoir in the world. The aspiring Americans are Europeans transplanted into another political environment. The peoples of Europe are not senile; it is only their political system that is senile. So soon as the latter has been radically changed, the complete recovery of the ailing continent can and must ensue."

The question of Europe's future, as he saw it in those dark pre-Locarno days of 1923, was: "Can Europe, so long as its political and economic disunion lasts, maintain its peace and independence with respect to the growing World Powers; or is it bound, in order to preserve its existence, to organize itself into a federal union?" The book declared for a federal union, calling for the formation of a Pan-European movement which should stand for "self-help through the consolidation of Europe into an ad hoc politico-economic federation."

5. *World Power or Downfall*

Count Coudenhove-Kalergi's interpretation of the world political situation following the war aroused almost as much interest in Europe as his advocacy of a Pan-European Union. The period before the war, he held, had been a period of Great European Powers, building colonial empires, and holding world sway from their European capitals. But beginning with the Spanish-American and Russo-Japanese wars, and culminating with the World war, this period had passed. The world was no longer to be ruled by a number of Great European Powers, but by a small group of true World Powers. Four of these are already in existence: Britain, with its intercontinental commonwealth; Russia, with its Eurasian socialist union; Japan, with its Asiatic empire and dominance, and the United States.

If the states of Europe, Count Coudenhove-Kalergi declared, hoped to continue to play a world rôle on a level with these four new World Powers, they could do so only by sinking their differences and combining in a single fifth World

Power of their own. For, of the Great European Powers that had entered the war, Austria-Hungary had been shattered; Germany reduced to a minor rôle; France and Italy "have gained territorially through the war, but they have suffered such losses in men and money that their position in world politics now rests upon insecure foundations. Their influence outside of Europe, the Mediterranean, and Asia is very slight. They are European Great Powers of the first, but World Powers of the second rank."

The four true World Powers already in being Count Coudenhove-Kalergi spoke of as being in fact Leagues of Peoples. Thus, the Russian union includes within its borders Great Russians and White Russians, Ukrainians and eastern Turks, Georgians and Circassians, Tartars and Armenians. The British commonwealth includes Anglo-Saxons and Irish, French Canadians and Boers, Arabs and Indians, Egyptians and Malays, and almost half a hundred other nationalitites. Pan-America contains Anglo-Saxons, Spaniards, Portuguese, Negroes, Indians and half-breeds. And the Mongolian power, although not yet so clearly defined, holds within itself northern and southern

Chinese, Tibetans, Mongolians, Manchus, Turkomans, and still others.

All these represent different national groups that are moving toward each other. In Europe, in contrast, the tendency is toward new separations. Scandanavia has recently split into three parts. Austria-Hungary, western Russia, and European Turkey have disintegrated into a multitude of jealous states. Today Germany and Jugo-Slavia threaten further dissolution. Such a tendency is suicidal. Its tragedy is the more apparent in view of the fact that, by combining, these same states, which are now dooming themselves to future subordination in world affairs, might form a fifth World Power approximately equal in size, population and resources to any of the other four.

In support of his assertion Count Coudenhove-Kalergi presented calculations showing that, by uniting the 27 states and four territories of Europe into a single union (exclusive of Great Britain and Russia) a federation would result containing 5,000,000 square kilometers of territory and 300,000,000 inhabitants. If to this were added the colonies in West Africa and the scattered possessions of Holland, France, Portugal, Italy and

Denmark, the total area of Pan-Europe would be 24,704,000 square kilometers and the total population 429,000,000. Such a World Power would stand on equal terms with a British commonwealth containing 36,000,000 square kilometers of territory and 454,000,000 inhabitants, with a Russian union of 22,000,000 square kilometers and 145,000,000 inhabitants, with a Mongolian empire containing 12,000,000 square kilometers and 408,000,000 inhabitants, or with a Pan-America of 30,000,000 square kilometers and 212,000,000 inhabitants.

In other words, the Pan-European Union which Count Coudenhove-Kalergi envisaged would stand third in area and second in population among the five World Powers. And while this piling up of its resources required a certain amount of arbitrary treatment—as in the assumption that the colonial appendages of the states in the proposed Pan-European Union would remain as they are at present, and that there would be no change in the territories controlled by the other powers—it was at least clear enough and striking enough to arrest the attention of every European statesman.

6. *The Response to Coudenhove-Kalergi*

Having published his book, this 29-year old Austrian awoke to find himself famous all over the continent, and looked to to provide active leadership in the movement for which he had called. Prophets do not always make good leaders. In this case, however, the writer quickly proved himself a born organizer. He threw himself into the cause with enormous energy, writing to all parts of Europe, stirring up interest, and then rushing about to put the final organizing touches on local, autonomous branches of the Pan-European Union which everywhere sprang into being. A magazine was started, "Paneuropa," which is now in its fifth volume. Some idea of the extent of the activities of the organization can be obtained from the fact that a single number of this monthly, chosen at random, contains reports of meetings, banquets, conferences, and similar gatherings held during the previous month in Germany, England, France, Lettland, Austria, Switzerland, Spain, Czechoslovakia and Hungary. Count Coudenhove-Kalergi is the principal figure in many of these gatherings. In

addition to his speaking, his organizing duties, and his editing—he acts as editor of "Paneuropa" —he has found time in some manner to write or edit seven more books since the appearance of his "Pan-Europe."

Of course, no such response would have been given Count Coudenhove-Kalergi's challenge had not the minds of hundreds of Europeans already been working along the same lines. In the year after "Pan-Europe" appeared, Edouard Herriot, then prime minister of France, endorsed the idea in an address delivered before the Sorbonne. Herr Stresemann immediately commented favorably in Germany. Apparently this emboldened Herriot, for in January, 1925, speaking in the Chamber of Deputies, he said: "It is my greatest wish to see the day come when the United States of Europe will become a reality." And the statement was wildly applauded.

It is impossible to list all the European leaders who have since committed themselves, at least in principle, to the idea. But without trying to make the enumeration complete, one can name off-hand, among the French, Briand, Loucheur, Painlevé, Jouvenel, Caillaux, Thomas, Boncour,

Leger and Delaisi; among the Germans, Stresemann, Schacht, Simons, Marx, Loebe, Koch, and Wirth; among the Austrians, Mgr. Seipel, Alfred Adler, Deutsch, Bronislav Huberman; among the Belgians, Hymans and Vendervelde; among the Czechs, Masaryk and Benes; among the Italians, Sforza and Nitti. The activities of such men range from the occasional speeches of political leaders like Briand and Stresemann to the intensive propagandist activities of a man like Prof. Otto Deutsch, who is reported in a recent issue of "Paneuropa" to have held meetings explaining the Pan-Europe idea during the previous month in Riga, Reval, Dorpat, Helsingfors, Posen, Warsaw and Danzig.

It seems as though the idea of a federated Europe, when it takes hold of some people, can impel them to a zeal which has in it all the elements of sacrifice and consecration that distinguish a religious crusade. Perhaps the most striking illustration of this has been in the case of Bronislav Huberman, the violinist, who has practically abandoned his appearances on the concert stage in order to go about Europe preaching the gospel of federation.

It is doubtful, however, whether the movement would have become as powerful as it is in this short time had it not been for support—perhaps it would be nearer the facts to say but for pressure—from the industrialists of Europe. Europe's political difficulties are mountainous, and it is not surprising that her statesmen are turning to the idea of united action as a means of solving them. But, when all is said and done, it is her industrial future that most concerns the average European. The fundamental problems of the people of Europe are the problems of bread and clothes and housing. And these problems, in an increasingly competitive world, are further from solution than the political problems. One cannot understand the strength of the proposal for a United States of Europe unless one knows the economic aspect of that movement. It is with that aspect that subsequent chapters in this book must principally deal.

CHAPTER II

TARIFF WALLS AND ECONOMIC POWER

1. *Europe's Struggle for Food*

IT is the political leader—a Briand or a Stresemann, a Benes or a Seipel—who has, by his advocacy, given the proposal for a United States of Europe importance in the eyes of the world. But it is the industrialist and the banker, the men concerned for Europe's economic future, who stand behind the scenes and give vigor to the movement. It is more of a guarantee of France's genuine and permanent support to find that Louis Loucheur, her greatest captain of industry, is president of the Pan-European Union of France than to find any number of premiers and former premiers listed on the committee. It means more in Germany to have Dr. Schacht, of the Reichsbank, behind the movement than to be able to announce a chancellor's adherence.

As a matter of fact, it is the immediate economic gain to be secured from some sort of coming together of the divided states of Europe that

most recommends the whole idea to the politicians of the continent. Once an economic federation has been formed, the politicians hope that the movement will then develop in such a way as to solve some of their political troubles—the problem of the minorities, for instance. But that is something for the future. Right now, the political leaders proclaim their interest in a United States of Europe because they hope, in forming such a body, to drive away the specter of poverty, either present or to come, which now haunts the waking and sleeping hours of most of the common people of central and eastern Europe.

If the United States of Europe is formed in this generation, it will not be because a Coudenhove-Kalergi, or a Briand, or anyone else dreamed glamorous dreams of world power. It will be because men in the masses, toiling men and those who direct their toil, became frightened lest food should fail and shelter be denied them. The argument for a United States of Europe which carries weight—and the only argument which carries weight—is that of bread and butter. If it were not for the bread and butter argument,

it is safe to say that there are enough animosities of one kind and another scattered about the European landscape to make the mere thought of any sort of coming together ridiculous. But when it is a matter of continuing to eat—ah, that's another story.

2. *International Economic Warfare*

To the thinking European there is nothing more clear than the growing intensity of the economic struggle that lies ahead for his state. Whether he is a citizen of a highly industrialized state like Belgium, or of a state with large capital resources like France, or of a state that must build its economic life almost from the foundations like Poland, he knows that an exhausting conflict will fill the future. He knows that the prosperity of his country depends, in large degree, on its ability to supply markets outside its own borders, for none of the European states—with the exception of Russia—can provide an internal market large enough to keep a modern industrialized state prosperous. He may feel that his country is well equipped, from the standpoint of

raw materials or manufacturing establishments, or both, to enter this race for outside markets. But then he looks up to see that neighboring nations, that almost all the other states in Europe, are similarly equipped. All of them are ready to fight for their share of foreign markets. And as he sees their readiness for economic battle, his hope sinks.

But that is only the beginning of his despair. He can foresee the exhaustion that is bound to result from his struggle with his next-door neighbor. Then he raises his eyes a trifle higher, so that he can look across the Atlantic. There he sees an industrial colossus. Colossal wealth, colossal resources in raw materials, colossal manufacturing plants, colossal technical and engineering skill. He discovers that this colossus is just beginning to think that he, too, needs his share of the world markets in order to maintain for his people the unprecedented standard of living which they believe is theirs by right of residence in a colossal land. Is it any wonder that the European industrialist feels that, if he is to have any chance at all in the coming struggle, he must find a way of combining what strength he has with

the strength of all his European neighbors, so that, lumped together, the aggregate resources which they can take to the coming battle for world markets will not be hopelessly less than those of the colossus across the ocean?

3. *Why Tariff Barriers Rose*

The war did many things to Europe. One of the items that enters into Europe's present economic difficulties is the fact that it enormously increased the number of factories. When the states of Europe found themselves at war, their military necessities forced them to provide in a few months manufacturing plants that might normally never have been built. In the case of France this expansion was the greater because the wave of German invasion quickly swallowed a large part of the country that was most important in her economic program.

But it was not only the warring states that increased their number of factories. With the declaration of war, the neutral states found themselves cut off from many of their customary sources of supply. Naturally, they set about providing for

their own needs, wherever that was possible, and thus still another new flock of manufacturing plants came into existence. And when peace came these new plants, both in the warring and in the neutral countries, were left, looking for markets to maintain themselves.

While the war covered Europe with new manufacturing plants, the peace brought a large number of new states. The breaking-up of the old Austro-Hungarian empire and the creation of the new states in what had once been western Russia gave Europe more than three thousand miles of new boundaries. It also subjected the continent to the rivalries, quarrels, and at times almost open warfare of a multitude of new states which found the wine of an unaccustomed liberty pretty strong for their heads, but which were determined to establish their own position at whatever cost to their neighbors.

The result has been that all these new states have adopted the policy of high protection for their infant industries. They have set out to become free—that is, self-sufficient—economic units, just as the peace made them free political units. To give such plants as they possessed a

guaranteed market, and to encourage the building of other plants for the production of goods previously imported from outside their new boundaries, they built their tariff walls high enough to keep all intruders out. That, as they read it, was the lesson taught by the prosperity of the United States, France, and pre-war Germany.

Even the older states felt it necessary to boost their tariff walls. With an excess of manufacturing plants on their hands, how else could they provide these plants with something to do? And if the plants were closed, how could they provide for the workers thus thrust into the ranks of the unemployed? The obvious thing to do, as most individual manufacturers saw it, was to provide such tariff protection in each nation that every industrial plant could be practically assured a free field in its home market.

At this point it is well to call attention to one fact in connection with the tariff barrier problem which is frequently overlooked in current discussion. So large a factor has American competition become in the European economic outlook—as will be pointed out at length in another chapter—that there is a disposition to blame America for

being at the bottom of all Europe's industrial difficulties. If it were not for the American high tariff policy and for American insistence on sharing in the profits under "most favored nation" clauses in commercial treaties, the argument is apt to run, Europe could reduce her tariffs in a hurry.

This is mainly nonsense. It was not the threat of American competition that reared Europe's tariff barriers in the first place; it was the fear of competition from next door neighbors. It would not be American competition that would be most stimulated by a reduction of tariff barriers between European states; it would be competition between the industrialists of Europe itself. Granting the influence which America has on the whole question, it is taking altogether too much for granted to talk as though a solution of the problem of American competition is all that is needed to bring Europe's internal tariff walls down. This issue is still far more inter-European than international.

Thus it happened that Europe, during the first half-dozen years after the armistice, turned itself into a economic battlefield, with 27 separate

states dividing themselves off into 27 different customs units, all of the units surrounded with almost unscalable tariff barriers, inside which every one of the 27 units scrambled desperately, trying to make itself self-sufficient and self-supporting.

4. *The Revolt Against Tariff Barriers*

Of course, it couldn't be done. Clear-headed economists knew that from the first, and said so. Europe paid no attention to them. But soon the futility of the effort began to appear to the bankers and the men connected with the basic industries—the railways, the coal mines, the steel mills, and the like. They saw that the policy of cooping business up within the boundaries of any European state was, in the long run, a policy of suffocation. They saw that the tariff barriers would eventually do more harm to the prosperity of the people they were supposed to protect than to the outside interests from which they were supposed to be protected. They saw, in other words, that the whole theory of an economic warfare between 27 mutually exclusive units was a huge delusion

that could lead only to the exhaustion and poverty of all.

It was the dawning recognition of the folly of this unending European tariff war that brought into being such an organization as the International Chamber of Commerce. The president-founder of that body, M. Etienne Clémentel, in first summarizing its purposes, said that it was formed "to see just where the principal industries, commerce and agriculture stand; to condemn all restrictions, all the barriers which hamper transportation and commercial exchanges; to seek effective means of insuring commercial liberty; to inquire into the utility of international industrial ententes."

When Sir Alan G. Anderson became acting president of the same body, in 1926, he put the case even more forcibly. "Europe is sick of 'malaise économique,' " he said, "not because her climate or her people or her material assets have failed, but because she is haunted by ghosts of the dead hatreds of war. A false idea has poisoned her mind, and through her mind poisoned her body. In war, the man across the frontier is an enemy to be killed but in peace, the man with whom one

buys and sells is a partner much more than a rival, and the prosperity of one partner helps another even if they live on opposite sides of a frontier."

5. *The Voice of the International Banker*

It took, however, the famous International Bankers' Manifesto, published in October, 1926, to bring the economic folly of the European situation clearly into view.

"It is difficult to view without dismay," said that historic document, "the extent to which tariff barriers, special licenses and prohibitions since the war have been allowed to interfere with international trade and to prevent it from flowing in its natural channels. At no period in recent history has freedom from such restrictions been more needed to enable traders to adapt themselves to new and different conditions."

Then, after sketching more fully what had been going on, the manifesto continued: "There can be no recovery in Europe until politicians in all territories, old and new, realize that trade is not war but a process of exchange, that in time of peace our neighbors are our customers, and that

their prosperity is a condition of our own well-being. . . . Dependent as we all are upon imports and exports, and upon the processes of international exchange, we cannot view without grave concern a policy which means the impoverishment of Europe.

"Happily there are signs that opinion in all countries is awaking at last to the dangers ahead. The League of Nations and the International Chamber of Commerce have been laboring to reduce to a minimum all formalities, prohibitions and restrictions, to remove inequalities of treatment in other matters than transfers, to facilitate the transport of passengers and goods. In some countries powerful voices are pleading for the suspension of tariffs altogether. Others have suggested the conclusion of long periods of commercial agreements embodying in every case the most-favored-nation clause. Some states have recognized in recent treaties the necessity of freeing trade from the restrictions which depress it. And experience is slowly teaching others that the breaking down of the economic barriers between them may prove the surest remedy for the stagnation which exists.

"On the valuable political results which might flow from such a policy, from the substitution of good will for ill will, of cooperation for exclusiveness, we will not dwell. But we wish to place on record our conviction that the establishment of economic freedom is the best hope of restoring the commerce and the credit of the world."

All the world took notice of this manifesto. Naturally, for to it were signed the names of the leading bankers of Austria, Belgium, Czechoslovakia, Denmark, France, Germany, Great Britain, Holland, Hungary, Italy, Norway, Poland, Rumania, Sweden, Switzerland, and the United States of America. Yes, even of the United States of America! For the economic crisis produced by Europe's system of endless tariff barriers had become so acute that six American bankers of the first rank felt justified in joining in the warning. These American signatories were Gates W. McGarrah, of New York; John J. Mitchell, of Chicago; J. P. Morgan, of New York; Thomas N. Perkins, of New York; Melvin A. Traylor, of Chicago, and Albert H. Wiggin, of New York.

6. *The World Economic Conference of 1927*

Since the publication of the International Bankers' Manifesto the campaign for a reduction of Europe's tariff barriers has gone forward without ceasing. The World Economic Congress, which met in Geneva under the auspices of the League of Nations in 1927, took a strong position in support of the draft agreement which the League drew up for state signatures, an agreement that would abolish prohibitions on imports and exports. It likewise went on record for a general lowering of tariff walls. The method which the conference approved for securing this reduction was threefold:

1. Unilateral action, by which each country would act independently, in the hope that other countries might thus be induced to do the same.

2. Bilateral action, by which pairs of countries would negotiate reductions on the tariffs of articles of special interest to themselves, with the advantages of these reductions then being extended to other countries by virtue of the most favored nation clause in commercial treaties.

3. Multilateral action, by which collective

agreements would be negotiated between large groups of nations for the simultaneous removal of barriers and reductions of tariffs.

At a result of the adoption of this program, there was for a time at least a diminution of the demand for an increase in tariffs. It cannot be said, however, that there was any considerable amount of tariff reduction, and European statesmen generally assert that, considering the economic situation as a whole, it is characterized by slightly higher tariffs in 1929 than were in effect when the World Economic Congress tried to secure tariff reduction in 1927.

The International Chamber of Commerce at all its biennial sessions has endorsed a program on tariff reduction similar to that of the World Economic Congress. The general position of this important body may be summarized by the action of its special Trade Barriers Committee stating that it "believes that the number and height of customs tariffs hamper international trade, and that it is essential that governments should be induced to consider the reduction of customs dues by means of an extended system of mutual agreements."

To an American, accustomed to absolute freedom of trade within the vast territories of the 48 states comprising the United States of America, the European tariff situation seems like a nightmare. Not only is he exasperated to discover that, if he wishes to sell in European markets, he must surmount 27 different customs barriers; he is much more at a loss to see how the Europeans do any business among themselves. The American is generally a protectionist. He believes in tariffs, and high tariffs at that. But he believes that these tariffs should surround a territory large enough to enclose within itself material resources and markets sufficient to keep the bulk of industry prosperously employed. And Europe, with its mountainous tariff walls shutting off little states that can be crossed in a few hours' train journey, seems to him an economic monstrosity. As it is.

The shortcomings of the European system have become equally clear to the European banker and to the man of big business. These men naturally are the first to feel the pinch of artificially restricted industry. It is to the banker's interest to have goods moving freely, for he makes his profits by the provision of credits to

sustain the various industrial operations. The man of big business, on the other hand, cannot use the banker's credit to advantage unless he can have fairly free access to raw materials and to a market large enough to absorb his products. It is no surprise, therefore, to find these men signing manifestoes calling for a lowering of tariff barriers, passing resolutions in the same tenor, or joining a United States of Europe movement which would place the formation of some sort of European customs union as the first plank in its platform.

7. *Why Europe's Tariffs Stay High*

Then why doesn't the movement toward tariff reduction make more progress? For, notwithstanding all the agitation, not only has there been no reduction so far; such changes as have been made to date have rather been in the opposite direction. The result is that leaders like M. Hymans, of Belgium, and Mr. William Graham, president of the British board of trade, now call upon the delegates to the League Assembly, almost in despair, to induce their governments to

agree at least not to boost the duties any higher. What is the trouble?

The trouble is that, when a European state is revising its tariff, it is not the banker nor the technical economist, and even in many cases not the man of big business, who gets the ear of the legislator. Just as during tariff revision operations in the United States, it is the man who can come to the capital and say to his local representative, "I have a factory at such-and-such a place in your constituency. If you lower the duties on the articles I am manufacturing, I will be unable to compete with the factory over the border. I will have to close down my factory, and all my workers will be thrown on the unemployment insurance benefits. But if you will raise the duties, that will make my position ever so much more secure. Perhaps I can even hire another dozen men." So the tariff barriers slowly keep going up rather than down.

How is this tendency of local interests to sabotage the economic interests of Europe as a whole to be overcome? M. Briand told the Geneva Assembly of the League that there will have to be a political solution. By that he means

that the governments will have to get together, agree that there is to be a general lowering of tariffs, and then send out orders to their tariff-making bodies to carry this common political will into effect. Perhaps this is the only way to immediate action in the right direction.

It needs only a slight acquaintance with Europe, however, to discover that the present European states will never learn how to pool their economic resources gladly and effectively until they, in the terms of an earlier phrase of M. Briand, "learn to speak European." That is the fundamental economic trouble in Europe today. Except as a convenient geographic term there is no such thing as Europe. The peoples do not think of themselves as Europeans—they think of themselves as Poles and Germans and Lithuanians and Croats and all the rest. Neither do they realize that there is any community of interest between the different nationalities.

8. *Poverty and Progress*

It will take, one is forced to believe, hunger or the fear of hunger to bring this sense of a com-

munity of interest home to the masses of Europe. Already, those who are trained to study and understand the economic conflict into which their states are entering have this fear of future hunger large before their eyes. They are the ones, likewise, who have already taken up with the movement for a United States of Europe. But as for the masses, it will be a long time before they comprehend the new idea, and a longer before they are ready to support it. The most bitter suspicion of neighboring peoples is to be found today in Europe among the poorest classes.

Yet economic developments seem certain to force the common folk, at least in Europe's highly industrialized states, to reckon increasingly with the effect of present nationalistic divisions on their own welfare. Already unemployment is a daily threat to a large proportion of Europe's working classes. For example, in December, 1928, statistics gathered by the League of Nations showed 16.7 per cent of all the trades unionists in Germany to be wholly, and 7.5 per cent to be partially, unemployed. At the same time, 25 per cent of Denmark's trade unionists were out of work; as were 10 per cent of all those in the com-

pulsory insurance scheme of the Irish Free State; 22.1 per cent of Norway's trade unionists; 11.5 per cent of the members of Dutch unemployment insurance societies; 11.2 per cent of the insured workers of the United Kingdom, and 17.3 per cent of Sweden's trade unionists.

It is hard to see how these figures can be much improved so long as each European country conducts its industrial affairs as though it were at war with all its neighbors. International cartels and special tariff agreements are, as we shall see, to some extent already mitigating this general economic warfare. But unless European industries can be assured large markets for unhindered development, no mass production in the modern sense, employing large numbers of workers and paying them high wages, is possible.

Even in the case of the farmer, the present system of tariff barriers is a sentence to perpetual poverty. In recent economic disputes, for example, Germany has felt it necessary to make it practically impossible for Polish farmers to send pigs and potatoes into Germany. Of course this leads to reprisals on the Polish side. The result quickly comes to be a situation in which the

farmers on both sides of the line are unable to dispose of their product except in the restricted home market. Here they are practically at the mercy of the middleman. The abject poverty which marks most European agriculture is to a large extent a result of this inability to exchange farm products across national boundaries.

The time has not yet come when the European laborer, whether factory hand, miner or farmer, perceives this direct connection between his economic distress and the mutual exclusiveness of the political units of Europe. But he is learning. To some extent, he is learning at the hands of political propagandists—liberals, socialists, communists. To a larger extent, he is working the lesson out of his own bitter experience. When the lesson has been grasped by enough of the toilers there will be a power behind the demand for an integration of the continent which cannot be denied.

CHAPTER III

EUROPE'S RECOVERY FROM THE WAR

1. *Ten Years After Versailles*

EVERYTHING in Europe dates from the war. Economically, the war was a vast nightmare. For more than four years it let loose destruction. Even the neutrals suffered. It is true that, as was stated on a previous page, the war stress produced a large amount of industrial building of certain kinds. But the permanent economic value of much of this building is very doubtful. And over against any possible gains must be placed such enormous and unquestionable losses as to make Europe's balance sheet, at the close of the fighting, look like hopeless bankruptcy.

In the general economic disaster brought upon Europe by the war, neutrals suffered almost as much as combatants. They did not, to be sure, undergo the terrible losses in man-power that

Note: Statistics in this chapter are, unless otherwise stated, taken from the Monthly Bulletin of Statistics, July 1929, published by the League of Nations.

were inflicted upon the warring states. But the same shortage of capital, the same restriction of credits, the same dislocation of markets, and in many cases the same disappearance of savings befell them. In Holland, for example, which in 1913 was exporting products with a monthly average value of 255,453,000 gulden, the war reduced this trade to a point where, in 1918, it averaged only 31,768,000 gulden a month. And even today, ten years after the close of the struggle, Holland's balance sheet for 1928 shows an average of exports monthly of only 165,515,000 gulden.

Yet facts like these are not to be taken as representing the present state of European industry as a whole. The truth is that large portions of European industry have performed an amazing comeback from the destruction of the war. Whether you travel in what were once the devastated areas of northern France, in the Ruhr, in Belgium, or in the new states of central and southeastern Europe, the evidences of this economic recovery are equally impressive. There has taken place, for considerable portions of Europe, not only a recovery of industries that ten years ago were nearly prostrate, but an abso-

lute transformation of the industrial structure into forms entirely new, in order to compete successfully under the demanding conditions of the post-war world.

Taking European industry as a whole, it can be said that, with the possible exception of Russia, the total of production is today at least equal to, and in most countries surpasses, that of 1913. And even in the case of Russia, which will be discussed in a separate chapter, it should be said that there has now been completed successfully the first year of a five-year development program which, if carried through to its intended end, will provide that country with an industrial establishment beyond anything dreamed of in tsarist days.

Europe's economic recovery really dates from some time in 1925. It was in that year that production figures in most of the European states were finally brought back to the pre-war standards. Three things contributed, at that time, to the recovery. In the first place, by 1925 the states of western Europe had recovered from their bolshevism fright. Even in Germany, which had been most exposed to Russian influence and prop-

aganda, it became clear that the loudly advertised communist revolution had been indefinitely postponed. The Red menace, which had been a genuine threat to the business men of Europe, in contrast with its chimerical nature in America, faded away.

Moreover, by 1925 Europe had begun to move along the road toward a stabilized currency. Any large industrial revival was obviously out of the question during the period of inflation. As long as banking and industrial processes were being carried on in a debased currency, business was nothing more than a form of gambling on the day's exchange. And finally, with confidence and credit restored by the evaporation of the Red menace and the stabilizing of the currency, European industry was by 1925 ready to enter on that process of rationalization which makes it such a formidable competitor for world markets. Of that more later.

2. *The Comeback in Coal Production*

The extent of Europe's industrial recovery may be suggested by her production figures in

the basic commodities. Take the case of coal. In the countries that gained coal territory by the war, the figures of average monthly production show an enormous increase. France, which was producing on the average 3,338,000 metric tons a month in 1913, brought her coal production up to 4,315,000 tons in 1927 and 4,288,000 tons in 1928. Poland, which had an average of 748,000 tons a month in 1913, produced 3,174,000 in 1927 and 3,383,000 in 1928. Belgium, with territory largely unchanged, shows an increase of from 1,903,000 tons average per month in 1913 to 2,298,000 in 1927 and 2,295,000 in 1928.

Even more striking is the case of Germany. On their face, the figures of Germany's coal production show a loss. Her monthly average in 1913 was 15,842,000 metric tons; in 1927 it was 12,800,000 and in 1928 it was 12,573,000 tons. But this apparent loss is, when Germany's territorial losses from the war are taken into account, seen to be a real gain. The actual fact is that Germany is today mining more than 25 per cent more coal than she mined in her present territories before the war. And if you take the coal production for the whole of Germany as she was

before the war, and compare the average for five years before 1914 with the production of the restricted Germany of today, you will find that the disparity is only about five per cent. In other words, Germany has already practically made up for her loss of Alsace-Lorraine and the most important parts of upper Silesia, and for her at least temporary loss of the Saar valley.

Take the matter of steel. Here the figures are equally revealing. France was producing, on the average, 391,000 metric tons of steel a month in 1913. In 1927 she averaged 692,000; in 1928 770,000 tons. Belgium was producing an average of 206,000 tons a month in 1913. So completely was her industrial life wrecked by the war that in 1918 her production had actually fallen to 1,000 tons a month! But in 1928 she had climbed back to 328,000 tons. And in Germany, despite the war losses, the production of 1,467,000 tons a month in 1913 has now been practically made up, for the 1928 monthly average stood at 1,210,000 metric tons. In this, there was a drop from the 1,359,000 tons monthly average of 1927, part of which may be due to restriction under orders of the cartel. Already, Germany is pro-

ducing in the vicinity of 25 per cent more steel than she produced in her present territory in 1913.

3. *Imports and Exports*

I do not want to tire the reader with statistics. But, as a final illustration of the extent of Europe's economic recovery, the figures as to exports and imports in some of the key countries of the continent are illuminating. These figures are supplied by the economic section of the League of Nations. In Holland, as we have seen, exports are down. Imports are equally down. But now look at some of the other countries, the countries most torn up by the war:

Germany imported goods with an average monthly value of 897,474,000 marks in 1913; in 1928 the monthly average was 1,137,000,000 marks. Germany's exports averaged 841,436,000 marks in 1913; in 1928 they were 982,100,000 marks a month. In Belgium, where the change in the value of the franc needs to be taken into account, the rise in export values is from 302,882,000 francs in 1913 to an average monthly of 2,505,935,000 in 1928; the import rise is from

386,384,000 to 2,620,430,000 francs in the same period. Roughly speaking, this shows a gain in actual value of about 65 per cent in exports and 35 per cent in imports.

The figures for France are equally striking. In 1913 the monthly average value of France's imports was 701,778,000 francs; in 1928 it was 4,454,022,000 francs. In 1913 the average monthly value of her exports was 573,351,000 francs; in 1928 it was 4,278,900,000 francs. Again the figures have to be corrected for the change in currency value, the 1913 franc being worth, on the dollar scale, about five times the 1928 franc. This shows that while France's imports have increased about 27 per cent over the pre-war level, her exports are up practically 50 per cent! And in Italy, allowing for the lire's decrease in value, while imports are up by about 80 per cent, exports are also up by 65 per cent.

Behind these bald figures lie some of the most remarkable transformations in economic history. On a later page I will tell something of the way in which a highly industrialized country like Germany, by the application of processes that she calls rationalization, has made over her industrial

structure in order to make this recovery from the war possible. At this point, however, it is more illuminating to consider what has taken place in France.

4. *The Recovery of France*

The Frenchman has long been known as an individualist. Whether he was employer or employee, a farmer or an urban dweller, he has wanted to go his own way with a minimum of control from outside himself. Yet in the past ten years French industry has become as coordinated, as "trustified," as any in Europe. This is what has happened:

France came out of the war facing a situation about as menacing, from an economic point of view, as could be imagined. She had lost 1,500,000 killed and 1,000,000 mutilated from the ranks of her producers. Her debt had increased by 372 per cent. Her taxes were up 75 per cent. And she had the devastated regions of her north to restore.

Some of her population losses France made good by the annexation of Alsace-Lorraine, con-

taining 1,700,000 people, under the peace treaty. The rest of them she more than made up from immigration. About a million immigrants have settled in France since the end of the war; most Americans do not realize that, next to the United States, France is now the largest recipient of immigration of any nation.

The restoration of the destroyed areas she attacked with such vigor that the huge task was completed by the end of 1925. To one who remembers what the country around Amiens, Arras, Lens and the other industrial centers of northern France was like when the fighting ceased in 1918, the restoration that has taken place there seems beyond belief. Not only have industrial plants been rebuilt with the finest machinery that the world affords, but whole towns have been brought back into being, and the avenues of transport, both by rail and motor, constructed on a scale and with a perfection that pre-war France knew nothing about. There is no finer industrial region in all Europe today than this section which, ten years ago, was nothing but a desolation of shell-churned ruins.

Even the crisis through which French cur-

rency passed was turned to the benefit of French large-scale industry. Professor Francis Delaisi, who is probably the most celebrated economist in France, explains this seeming impossibility in this fashion: "Exactly at the moment the work of reconstruction was completed, the fall of the franc stopped the loans for the devasted areas; the interior of France, impaired by inflation, reduced its purchases; and the clause of the Versailles treaty which opened the German market to the factories of Alsace-Lorraine, expired. In spite of this our industrialists succeeded in preventing a crisis. They immediately reserved the home market to themselves by the aid of tariff duties, which they increasingly raised. At the same time the depreciation of the currency, which pursued a course slow but regular, permitted them to lower their price of production.

"Interest on securities," Professor Delaisi continues, "paid in paper francs, diminished constantly; the increase in wages followed only distantly the increase in prices; the cost of transportation remained very low, with the government covering the deficit of the railroads; inflation choked direct importation, in real values,

in proportion that they increased in nominal values. Since the selling price, as a consequence of protective tariffs, remained high, the margin of profit was maintained."

It was under the opportunities offered by this same period that the old individualism was driven out of French business. The big industrial concerns took advantage of the smaller and weaker, whose stockholders were in a panicky frame of mind which made them willing to sell at bargain prices, to buy them up right and left. As a result, every major branch of French industry is today controlled by two or three powerful groups.

These groups immediately began to make money by the development of foreign markets. It was a period when other countries were restricting their foreign markets; the United States through the height of her tariff, Germany and England through their currency adjustments. France, and Belgium as well, by delaying their stabilization, gave their industrialists a maximum of time during which they could sell abroad for gold and pay at home in paper. Under such a condition, French business boomed. Not only is it true that there has not been a man out of work

in France since the close of the war; the favorable situation in which French industry has found itself has made it possible, as already stated, to provide work for about a million immigrants.

The stabilization of the franc, when it came, hit the individual Frenchman hard. The individual Frenchman has been noted for his thrift. The goal of his life has been the accumulation of enough capital to make it possible for him to retire and live on the interest. Up to the period when the franc took its nose-dive toward extinction, the Frenchman with an income from investments of 10,000 francs a year could live in the height of comfort. But when the franc fell to a value of only two cents, to return finally to only four cents, such a man had to go back to work in order to live. Stabilization, which wiped out four-fifths of the value of the franc, together with the bankruptcy of most of the countries in which French investors had placed their savings—Russia, Austria-Hungary, and Turkey—destroyed the typical French *rentier*. The Frenchman who lives on his income has practically ceased to exist.

One might think that such an experience would cut the root of French thrift. Yet the

Frenchman goes on saving. He is piling up money rapidly for new investments. The deposits in the three largest credit establishments in France have already risen from 22 billion francs in 1926, to 26 billion in 1927 and 133 billion in 1928! This means, of course, that the money the Frenchman managed to get abroad during the period when the franc was heading toward the abyss is now being brought home again, where it is available for new investment. France is rapidly resuming her old place as the banker of the continent. It is interesting to note that much of her current financial activity is taking the form of short-term loans to Germany.

What is true of France's economic recovery from the war is true, although hardly to an equal degree, of almost every other country in Europe. Even in the case of England, where conditions are admittedly far from rosy, and where the prophets of coming industrial tragedy are abroad everywhere in the land, the situation is certainly not as bad as some have painted it. I will speak specifically of conditions in some of these other countries—England, Germany, Poland, Russia—at other points in this book.

5. *Economic Problems That Remain*

In giving this picture of recovery from the disaster of the war, I do not mean to intimate that all Europe's economic problems have been solved. In the case of France, for example, her rapid industrial development has been paralleled by an almost equally rapid agricultural falling off. Thus, Professor Delaisi, in his final summary of the French economic situation, gives these figures:

	Average 1909–'13		1927	
Net industrial balance	Minus	524,000,000 frs.	Plus	1,498,000,000
Net agricultural balance	Minus	779,000,000	Minus	1,260,000,000
General balance	Minus	1,303,000,000	Plus	238,000,000

It will be seen that this favorable balance depends on the prosperity of her industrial exportation, which must make up for an increasing agricultural deficit.

It has been impossible to obtain figures which show the extent of the agricultural depression in other European states in terms of money. A fairly clear indication of the situation may, however, be obtained from the statistics published by the League of Nations regarding imports and exports. A study of these discloses facts such as the following:

In Germany, in 1913 imports of live stock totalled 2.6 per cent of the nation's total imports; imports of articles of food and drink made up 25.1 per cent of all imports. By 1927 these imports, in terms of 1913 valuations, had fallen to 1.5 per cent in the case of live stock and increased to 26.6 per cent in the case of food and drink products. Exports of live stock stood absolutely stationary during the same period, being one-tenth of one per cent in both cases, but there has been a significant falling off in exports of food stuffs, which made up 10.5 per cent of Germany's total exports in 1913 and were but 4.6 per cent in 1927.

A study of the exports of other countries shows that the drop in agricultural products has been, in the case of Austria, from 2 per cent of the national total of exports in 1922 to 1.7 per cent in 1927; Belgium, from 9.9 per cent in 1925 to 7.9 per cent in 1927; Hungary from 57.5 per cent in 1925 to 54.2 per cent in 1927; Russia from 57.2 per cent in 1913 to 48.5 per cent in 1927. The states that are increasing their agricultural exports are Spain, Esthonia, Latvia, Lithuania (very slightly), Norway, the Netherlands, Poland, Sweden, Switzerland and Czechoslovakia. No figures are available for other states.

The agricultural decrease is thus seen to confront a great part of Europe. With that goes a whole complex of other economic problems. There are states which cannot, because of their nature or because of the backwardness of their development, hope to be prosperous under the present economic system during the lifetime of living men. Such are Austria, and most of the Balkan kingdoms. There is the prevalence of low wages, which results in a restriction of markets. There is the system of what might be called false competition, by which the nationalistic pride of states moves them to subsidize, through tariffs or otherwise, innumerable industrial plants which have no true reason for existence. And over and above everything else, there is the realization that future prosperity, as in the case of France, depends on exports to a world market, in which American competition will be increasingly felt.

This is, of course, only a hasty suggestion of the extent of these remaining economic problems. It should be clear, however, that in the case of most of them the formation of some sort of United States of Europe, transforming what

are at present small and conflicting economic units into a single economic entity, would have an immediate and enormously beneficial effect. Europe's economic recovery has been remarkable, but she still has a long way to go toward permanent prosperity for her peoples. And it becomes increasingly doubtful whether she can cover the remaining stages of that journey divided into warring groups.

CHAPTER IV

THE CARTELS POINT THE WAY

1. *Where Pan-Europe Already Exists*

EUROPEAN big business welcomes the proposal for a United States of Europe. In fact, European big business is largely responsible for proving to skeptical statesmen that a United States of Europe is an immediately practicable possibility. At the first congress of the Pan-European Union, held three years ago in Vienna, Herr Paul Loebe, then president of the German Reichstag, said: "We maintain that Pan-Europe already exists. Economic cartels, trusts in iron, steel, coal, wool, cotton, and so forth, are nothing more than a realization of economic Pan-Europeanism by certain groups of capitalists. Now we want to make Pan-Europe not only in an economic sense but in every sense and for us all. Only by this will Europe be saved from catastrophe."

In thus referring to the international cartels, Herr Loebe was pointing to the most significant

development in Europe's large-scale industry since the close of the war. For at the very time when politicians were following policies which involved an intensification of the old divisions of the continent, and when the seeds were being industriously sown for new quarrels and future conflicts, the men at the head of the greatest industrial enterprises agreed to ignore national boundaries and to tie together plants engaged in similar operations without regard to political divisions, so that there might be a mutual participation in prosperity. As a result, the big business man, when he advocates a United States of Europe today, is in a position to say to the politician, "Why do you not have the sense to do in the realm of politics what we have already done in that of industry?"

Europe's men of big business have no illusions as to the stern character of the competitive period that lies ahead of them. I have already quoted the figures by which Professor Delaisi, the foremost economist of France, shows that the future prosperity of that nation depends on maintaining an industrial balance sufficiently favorable to offset an agricultural deficit at home. The same

situation exists in all the industrialized states of Europe. Yet, with great markets like America and Russia practically removed from large-scale penetration by European manufactures, and with vigorous industrial nations like the United States, Great Britain and Japan ready to compete for the trade of the remaining undeveloped markets in South America, Africa and Asia, the European captain of industry knows that he is in for a hard fight if he is to capture or hold enough of the world market to maintain a prosperous balance at home.

2. *Marshalling Europe's Resources*

But Europe's big industrialists do not despair. Nor is there any reason why they should. They know that, within the limits of their continent or of the colonies owned by European states, there are all the necessary ingredients of modern industrial success. There is power without limit; huge deposits of coal and, where coal is difficult to use economically, unlimited hydroelectric resources. There is iron in enormous quantities. There is oil. These are the basic requirements

of the modern industrial state. But in addition to these Europe has, not only other raw materials of immense value, but man-power, engineering skill, chemical science, and inventive genius in impressive proportions. Regarded as an economic unit Europe, even with Great Britain and Russia left out, has the promise of becoming one of the most formidable industrial areas on earth.

The trouble has been that, up to within the last four years, it has been impossible to regard her as a unit, either economically or in any other fashion. Every one of her 27 states has been a principality by itself, jealously guarding its borders against all its neighbors. The aim has been to make each state a self-supporting, self-contained economic unit by itself, and the industry of other European states has been treated as an enemy to be destroyed rather than as a possible ally to be encouraged.

Obviously, it was—and is—impossible to develop European industry to the natural limit of its efficiency while its units were thus cooped up within national boundaries. The man who built a shoe factory in Czechoslovakia, for instance, might install as fine machinery as modern in-

ventive skill can supply, might use the latest methods of factory technique and sales distribution, might follow every principle that scientific management has discovered, yet he could not bring his enterprise to maximum efficiency as long as his market was practically restricted to the 14,000,000 people of Czechoslovakia, many of whom do not buy more than one pair of shoes in three or four years.

Europe's industrialists have had the slogan of efficiency dinned in their ears for years. As well as they could, they have tried to make their plants efficient. Germany, in particular, rather prided herself on the efficiency of her pre-war industrial organization. But all attempts to push European manufacturing to a general high level of efficiency have been condemned to a very limited success as long as the continent has been divided by tariffs into mutually exclusive and competitive areas.

It was big business in those traditional enemies, France and Germany, that was the first to learn this lesson that seems so obvious to Americans. The two states came out of the war with their bitterness increased rather than as-

suaged. France had the upper hand. She regarded it as just that Germany—that is, of course, German industry—should be made to bear the major part of the costs of the war. In the years following the armistice, and indeed up to the signing of the pact of Locarno, this led her to one attempt to discipline German industry after another, culminating in the invasion of the Ruhr. But that method of going about the restoration of European stability and prosperity simply did not work. France's men of big business, notably M. Loucheur, perceived that it was not working before the politicians did. They determined to try a new method.

3. *The Coming of the International Cartels*

The first intimation of the new policy, which involved the abandonment of the old national divisions and rivalries and a union of industrial forces on both sides the Franco-German border, came with the formation of the potash cartel in the spring of 1926. The date is interesting, as it shows that French and German men of big business started to get together the moment the states-

men of the two countries, at Locarno, had given notice that the days of constant bitterness and opposition were at an end. Indeed, the international potash cartel was organized before the Locarno pacts were ratified by the admission of Germany into the League of Nations.

Most Americans are, by this time, familiar with what the European has in mind when he speaks of an international cartel. It is, in short, in most cases the combining of the various units of an industry into an organization that transcends all political boundaries, and that holds enough of a monopoly in that industry to divide markets, fix prices, and regulate production at a point where all the members can be assured a profit. Such an organization would undoubtedly be pronounced illegal under the Sherman anti-trust law in the United States. But the cartel has provided one principal means whereby European big business has made the amazing recovery from the war which I tried to sketch in a previous chapter.

This definition of an international cartel perhaps needs safeguarding at two points. There are several of these organizations, as will pres-

ently appear, which do not hold a monopoly, and which are not seeking such a trade advantage. And there is at least one—the cartel in the electric bulb industry—which has been formed not to hold up prices but to standardize and improve manufacturing processes. But if these exceptions are held in mind, the definition given in the preceding paragraph may be taken as justified.

Europe became familiar with cartels before the war. These were, I believe in every case, held within national boundaries. They took many forms. Indeed, one of the principal difficulties in any extensive study of the cartel system, which should take in the national as well as the international organizations, would be to discriminate between cartels, trusts and cooperatives of various sorts. For the purpose of this volume it is not necessary to wrestle with this exceedingly baffling question. We consider here only the international cartels, all of which have been formed in the last few years and all of which are easy to identify. They are the cartels, it hardly needs to be said, which include within their operation industrial units in more than one nation.

The first of these European cartels to be formed was, as has been said, that in the potash industry. The situation which produced that combination was a simple one, not much different from that which has produced the other cartels. When France regained Alsace, by virtue of the treaty of Versailles, she came into possession of important potash deposits. But Germany, although she had lost these, had still other deposits which were capable of large development. And in fact, during the period of unrestricted nationalist competition that followed the peace treaty, the French potash interests and the German potash interests, both already organized in national cartels which between them had a practical world monopoly, set about cutting each other's throats. But in the spring of 1926 the directors of the two groups awoke to the suicidal nature of this policy. The Société Commerciale des Potasses d'Alsace and the Deutsche Kalisyndikat accordingly met at Lugano, agreed to combine their resources, and the first great European cartel came into being.

The terms of this agreement give a clear idea of the sort of arrangements under which almost

all these cartels work. In the case of the potash cartel they are easily summarized, because there were only two main parties to the negotiations. It was decided that the French potash interests should have a free field in France and in the French colonies; the German potash interests should be equally undisturbed in Germany. But since the German interests were producing on a much larger scale than the French, the world market was divided, giving the German approximately two-thirds and the French one-third. However, an arrangement for a sliding apportionment was made, whereby any future change in the relative output of the two groups would automatically lead to a readjustment in their share of the world market. And potash prices were fixed.

4. *Expansion of the Cartels*

That is the way an international cartel comes into being. It is, in the words of Herr Loebe, economic Pan-Europeanism already realized. For in the wake of the potash cartel there have come about fifteen or twenty more of these international organizations, most of them with their

principal plants in Germany and France, but also reaching out into Belgium, Czechoslovakia, Austria, Rumania, Poland, and elsewhere. Indeed, there are reported to be American interests involved in several of the cartels, those in zinc, steel rails, tubes and copper, and the artificial silk plants in Elizabethtown, Tennessee, which have been the scene of industrial conflict this year, are controlled by the artificial silk cartel through its largest German member. The principal cartels are in steel, wire, zinc, lead, potash, tin, artificial silk, enameled wares, steel rails, glue, electric lamps, mirrors, ammonium sulphate, glass bottles, aluminum, explosives, and copper. As this book goes to press it is announced that Belgian, French, German, Swiss, and Czechoslovakian interests have completed the organization of still another cartel, this one for the manufacturing of locomotives.

It is obvious that no combination of European interests can obtain even a major portion of the production, let alone a monopoly, in several of these items. But a monopoly is not necessary to make a cartel a success. A general access to the materials and markets of all of Europe is enough,

European big business has found, to insure profitable operation. Thus the steel cartel, which is the most important of them all because it is able, by its ramifications into all parts of the continent where steel is produced, to surmount tariff difficulties, despite its lack of a monopoly has established its position as one of the most formidable industrial combines on earth. Such a cartel is able not only to view the threat of American competition with composure, but to enter the struggle for other world markets which America covets, having at least an even chance of victory.

In its actual workings, the international cartel follows with striking closeness the course of the political states. There is the same resting of relations on treaties; the same tendency of the treaties to grow out of date; the same intricate maneuvering and negotiating to secure a revision satisfactory to all parties. And, of course, if the negotiations fail, there is bound to be the same breaking off of relations and commencement of economic hostilities. The parallel may help to show why it is frequently said that international relations are ceasing to be a political, while they become an economic, matter.

5. *Life in the Cartels*

As a specific illustration of the sort of thing that goes on within an international cartel, I can do no better than to quote a dispatch which Mr. Sisley Huddleston sent to the Christian Science Monitor from Paris in October of the present year. Mr. Huddleston is describing the situation that exists within the powerful European steel cartel as the term of its present agreement draws toward its end. "Difficulties have arisen," says Mr. Huddleston, "and in some quarters it is even suggested that the option of denouncing the arrangements will be exercised on October 31."

"This pessimistic view is, however, unjustified," Mr. Huddleston hastens to say, "for it is certain that the majority of members of the European steel organization is determined that the cartel shall continue to exist, and therefore compromise on the points in dispute is practically assured.

"Germany in particular is dissatisfied with the present quota, and is asking for modification of the agreement. The agreement was signed September, 1926, by representatives of Germany, France, Belgium, Luxemburg, and the Saar, and

its principal object is to regulate production in accordance with the demand and to avoid destructive competition. Germany had itself, two years earlier, regulated its own production among German firms, and this national accord was extended into the international sphere. For obviously control of such products as iron and steel is insufficient if exercised only by one country.

"Originally the quotas were based on the actual production of the participating countries during the first quarter of 1926, though allowances were made to Belgium on account of her special circumstances. Roughly, Germany was given 43 per cent, France 31, Belgium 11, Luxemburg 8, and the Saar 6.

"The German cartel has been prolonged until the end of the year and it is expected that the international cartel will likewise be prolonged. But it is anticipated that the existing basis will eventually be altered. If the quota is exceeded by any country, it pays an indemnity into a common fund. This rule works against the country which systematically exceeds its quota.

"The Avenir, which is the organ of certain French economic interests, remarks that 'despite

the good will that other states have shown in respect of German complaints, Germany insists that its quota is too low and that it cannot admit provisional prolongation of the cartel on the present basis. The situation is complicated by the fact that other states, notably Belgium, equally find their quota inadequate. It is hoped to reach a compromise.'

"But, adds the Journal, doubtless in the economic domain as in the political, other countries will have to purchase the consent of Germany at the price of new concessions."

6. *Cartels—Pro and Con*

Naturally, in view of the success of the cartels, the proponents of a United States of Europe say, "Why not apply the idea further? If it is good for big European business, why would it not prove equally good for all European business? Is not the lesson of the past three years obviously that the free movement of materials and products everywhere inside the borders of Europe, and the encouragement of all business within this area to consider its problems on a continental rather than

a national scale, would result in greater stability and prosperity for all?" The men who have formed the cartels are sure that this is true. They desire the coming of a day when all business shall be organized as European, rather than as German or French or that of any other nationality, and when all tariffs shall be European.

Indeed, the influence of big business has been so evident in backing the Pan-European movement that some groups, especially of radicals, have opposed it for that reason. They see in it, not so much a method of transcending and finally wiping out ancient political and economic divisions, as a method of bringing the whole consuming portion of the continent's population into the power of great international price-fixing combines. This is not the view of most of the labor leaders or socialist politicians of western Europe. Most of them regard some form of international organization and Pan-European free trade as necessary to the prosperity of European industry, and they therefore favor the cartels. But it is true that one portion of the opposition which is forming to any extension of the cartel system, or to any formation of an economic United States

of Europe, is that of social radicals who hold that it would be better to have Europe lose all chance at industrial power than to have her people under the virtual control of trusts and combines. Whether opposition of this sort can exert any great influence seems extremely doubtful.

Such American business men as have studied the European cartel system seem, on the whole, to have been impressed with its dangers as much as with its advantages. As I said at the beginning of the chapter, the system is obviously in contrast with both the legal basis and the traditions of American industry. And there is much to justify the American business man in his skepticism as to the ultimate effect of cartelization on the economic life of Europe. Price-fixing combinations are always to be viewed with disquietude. And an industry that depends on monopoly markets is not healthy at its roots. Yet the fact is undeniable that the international cartels have, in their actual working, helped enormously to hasten Europe's economic recovery, while they have contributed probably more than any other one factor to the instruction of Europe in the art of "talking European."

The international cartels are not the only feature of European big business that have had a major part in its recovery from the war. The reconstruction of that business according to new efficiency principles—what is generally spoken of as the rationalization movement—has played at least an equal part. Of that I will write in the next chapter. But I have dealt with the cartels first of all because it has been their success that has convinced European industrialists that a commercial unity that transcends national boundaries is today politically feasible and economically sound. "If we can do it," say Europe's industrial leaders, "the states can do it." How long will it be before they say, "The states *must* do it"?

CHAPTER V

RATIONALIZATION'S LOGICAL CONCLUSION

1. *What Is Rationalization?*

THE change that has come over Europe in the last decade is well illustrated by the progress of the rationalization movement. To the casual observer, rationalization will seem to affect only Europe's industrial life. But as a matter of fact, the adoption of rationalization by European business men indicates a fundamental change of attitude, not only in industry, but throughout European society as a whole.

In the years before the war a large portion of the industry of the continent was conducted on what seemed to outsiders as a much too personalized, lackadaisical, rule-o'-thumb basis. Industrial organizations—even the best of them—were weighted down with family connections, pensioners, and other persons whose contribution to production was hard to discover. Selling methods seemed to be largely a matter of per-

sonal accommodation and social connection. And if the outsider looked on the whole system, or lack of system, with scorn, the European regarded with equal scorn the aggressiveness of the Yankee or the shopkeeping—which is to say, commercial—tendencies of the Englishman.

Today, all that is changed. No longer does the continental European regard industry as a socially degrading scope for his activities. No longer is he content to have the industries in which his funds are invested run on haphazard and antiquated lines. Instead, he is insisting that the latest methods of industrial practice, whatever their origin, shall be applied to European conditions and firms. The European investor is just as intent on wringing the last possible pfennig of profit out of his present-day industries as is any American efficiency engineer. And his insistence has produced rationalization.

What is rationalization? The word is universally used in connection with European industry, but it is not easy to define. It is, in fact, more a slogan than a precise title. It is a rallying cry for the exponents of the new-fashioned European industry. When the World Economic Con-

ference, meeting in Geneva in 1927, passed its sweeping resolution of endorsement of the rationalization movement, the International Management Institute, in reproducing the action, added this note: "The word 'rationalization' is used on the continent as synonymous with 'scientific management.' "

Perhaps this is as easily remembered and as generally satisfactory a definition as any. But close students of the rationalization movement will insist that it hardly gives due recognition to all the elements that are involved. The definition of the World Economic Conference spoke of rationalization as "the methods of technique and organization designed to secure the minimum waste of either effort or material. It includes the scientific organization of labor, standardization both of material and products, simplification of processes, and improvements in the system of transport and marketing."

When all the efforts at definition have been made, one is likely to sympathize with Mr. Walter Meakin, who remarks that "it is questionable if any word of recent coinage, relating to industrial and economic affairs, has created so much con-

fusion of thought or provoked so many diverse and contradictory interpretations." The fact seems to be that it is still too early to give a definition that will hold true everywhere. The word means different things in different countries. It was originally the German "rationalisierung," and grew out of the rationing of raw materials and production to which German industry submitted itself in the critical days following the Ruhr invasion. But now, as an international term, its final content has yet to be determined.

It is easier to make clear the meaning of the term by describing the operations which are called rationalizing than by attempting a definition. These operations are under way all over Europe at the present time. In some cases they are confined to an individual firm, as in the great Citroen motor works in France. In other cases, they operate within a trust. And in still other cases they are being applied to entire cartels, both national and international.

To make the rationalizing process clear I will refer briefly to its application to three basic German industries. Those who wish to study this development more fully will find the history of

the rationalization of these three industries given in detail in Mr. Walter Meakin's recent book, "The New Industrial Revolution."

2. *Rationalizing German Coal*

As a first example, consider the rationalization of the German coal mines. Here, by the way, is a basic industry that has never been cartelized. There is a coal trust, but no coal cartel. Following the collapse of the French invasion of the Ruhr, which had put most of Germany's coal in alien hands, the industry found itself facing a desperate situation. Not only had the French occupation seriously affected the efficiency of mine operations, but other influences had begun to operate at the same time to cut down the demand for coal. The increasing use of oil and water power; the introduction of fuel-saving furnaces (an interesting example of the way in which one species of rationalization can work against another); the development of new coal producing areas—all these were having a depressing influence. Moreover, production costs were mounting, wages had fallen to the point

where the workers were on the verge of revolt, and surplus stocks had piled up in ominous fashion.

This was the situation that forced Germany's coal operators to rationalize. They began by studying the mining situation as a whole, and summarily closing such mines as were not likely to be able to produce coal at reasonable costs. Twenty-six mines, employing 37,000 workers, were thus shut down in the first year of the rationalization process, 1925. Following this, the industry closed off the unproductive parts of other mines that were continued in operation. Then the whole matter of technical equipment was re-studied. Improved machinery and improved methods of transport in the mines greatly increased the average of production per worker, while lowering the number of workers required. Finally, the whole industry was reorganized to utilize its by-products, so that the typical German coal mine, under rationalization, is a center for the production of a wide range of materials which can be counted on to return a profit even when the condition of the coal market may make the actual mining operation for the time being a losing one.

"In the Ruhr," says Mr. Meakin, "almost every mine now left in production might be described as a huge coal-using as well as a coal-getting undertaking, and all the associated coking, by-product, and power enterprises are regarded as an integral part of the coal industry. The head chemist and the chief engineer share fully with the mine director the status of control and the responsibility for the progress and success of the enterprise as a whole. The Ruhr companies, indeed, are coming to look more and more to the revenue from their coal-using activities—coking, the production of raw materials and valuable 'intermediates' for the chemical industries, direct association with public electrical supply undertakings, and the cooperative sale of surplus gas and steam for public services—as the most stable source of their profits."

An American, studying this development of Germany's coal fields, is likely to wonder whether the same system of rationalization might not wisely be applied to the mining industry in the United States.

3. *What Happens to the Workers?*

Undeniable as are the technical advances made under rationalization, the question always arises as to what happens to the workers when these processes are introduced. The United States is now confronted with a condition known as "technological unemployment" which holds thousands of men out of work. To what extent does the introduction of efficiency machinery and methods do the same thing in Europe? The rationalization of the German coal industry gives as vivid an illustration of the ensuing process as could be asked.

In the first place, it must be admitted that rationalization does throw men out of work. German coal mines had to be partially re-staffed during the war. Then, with the armistice, large numbers of miners returned from the army and tried to find a place again in their old occupations. The result was that, in the Ruhr, there were 553,000 mine workers by 1923. But the introduction of rationalization steadily reduced this number to 355,000 in May, 1926, from which low point there was an increase, produced by the

effect of the strike in England. At the end of 1927 there were 155,000 fewer miners at work than in 1922. There had also been a drop in the number of technical and administrative mine officials, from 28,800 in 1922 to 23,500 in 1927.

What happened to the men thus displaced? The expansion in other trades, following the adoption of the Dawes plan, provided work for a good many of them. Some of them went back to the farms from which they had come originally. Others went into the building trades, which have experienced a boom. But there were still others who could not be immediately placed, and these have been dependent on unemployment insurance. The working of the unemployment insurance plan will be discussed elsewhere.

For the men who remained in the mines, the effect of rationalization was much more beneficial. The working day was reduced by half an hour; employment became so steady that the average loss of time by the middle of 1927 was only half a shift a month; and wages slowly began to rise. In comparing the wages of German miners with those in, say, Great Britain and the United States, it must be borne in mind that

the German miner, although he works at a lower rate, works steadily. In the long run, therefore, his actual income, when reckoned in comparison with the cost of living in German mining towns, will put him in an economic position little, if any, inferior to that of miners elsewhere.

The effect of the introduction of new processes, made possible by labor-saving machinery, is strikingly shown by the statistics of output per worker in the German coal mines. Mr. Meakin gives these figures covering the output per man per shift in the Ruhr:

Period	*Hewers and Assistant Hewers*	*All Underground Workers*	*All Workers Above and Below Ground*
	cwts.	*cwts.*	*cwts.*
1925	37	23	18.6
1926 (January)	40.6	25.6	20.7
1927 (January)	42.5	27.0	22.4

A basis of comparison, to show the extent to which the German mine owners by rationalization were increasing production per unit of workers, is given by the fact that the average output of all British mine workers in 1925 was 17.70 cwts. per shift, which rose to 20.82 cwts. in 1927, when an hour was added to the working day.

4. *Reorganizing the Steel Trust*

The reorganization of the German steel trust is equally interesting. The process has not differed essentially from that followed in coal. It really began with the formation of the great steel trust, and the rationing of the new ore supplies obtained, in large degree from Spain and Sweden, to make up for those lost as a result of the war. Plants were combined; overlapping production in different plants was eliminated or greatly reduced; inefficient equipment was scrapped; certain plants were set aside to produce certain goods; steel products generally were standardized; manufacturing centers were shifted in order to give the closest possible relationship either to materials or markets, or both; technical improvements in manufacturing processes were constantly sought, and when discovered were introduced, no matter how new the machinery thus thrown out; sales organizations were unified; a common buying organization was set up; wages have gradually gone up.

Although there is not as much information available concerning the results of this policy of

rationalization in the steel as in the coal industry, some facts are known. That there have been considerable savings in production costs is admitted, although the steel producers argue that these have been eaten up again in the increase of wages, increase of enforced contributions to social service schemes, and increase in taxes. However, it has been possible to reduce substantially the number of men employed in various processes, although the boom in the industry as a whole, brought about by the replacement of war losses, brings the total number employed by the steel trust to a new high point. The average daily output of the worker had gone up by 36 per cent before the first year of the rationalization process had closed. At the same time, there was a general decrease in the length of the working day, although this was bitterly fought by the steel companies.

The justification of such a policy in terms of dollars and cents came when the German steel trust made public its balance sheet covering the year that closed on September 30, 1927. A gross surplus of approximately $70,000,000 was revealed. Against this there had to be charged off

such items as $15,000,000 for taxes; $12,500,000 for unemployment insurance; $7,500,000 for interest on loans; and the sizeable sum of $21,250,000 for depreciation. This latter figure deserves attention. It shows the extent to which industry committed to rationalization must be prepared to scrap machinery which, although it has been in service only a short while, is made out of date by new technical developments. For example, this scrapping process in Germany has brought about the closing down of coking furnaces after only three years of service, in order to take advantage of the savings to be effected in later types. But with all these necessary charges, the steel trust was still able to declare a 6 per cent dividend. This, less than ten years after the close of the war!

Although it is not in the trust, the great Krupp plant at Essen gives a graphic illustration of rationalization in the German steel industry. The peace treaty put an end to Krupp's most profitable business; the French invasion nearly put an end to the entire business. By 1926 the number of workers employed had fallen from more than 40,000 in 1920 to only 18,000. And at the

same time it became apparent that several of the lines of manufacturing which had been undertaken to replace the old munitions making would not return a profit. Drastic rationalization was therefore adopted. This began in the Krupp coal mines, where the installation of the latest machinery, new coking plants, and the utilization of by-products quickly reduced labor costs. Pig-iron production was concentrated at the most efficient furnaces, which were given the most modern equipment and methods of handling. Older steel furnaces and buildings at Essen were scrapped; the new lines of manufacture that were not paying were abandoned; working costs were reduced all around; selling effort was concentrated behind the profitable items. The result was that Krupp was again employing more than 40,000 men by the end of 1927, and the firm's prosperity seems assured.

5. *German and British Chemical Strategy*

The rationalization of the chemical industry presents much the same story. Here, again, there had been loss of markets due to the war, and the

appearance, under war stimulus, of competition in other lands that would make the reestablishment of the pre-war monopoly in certain chemical products impossible. However, the closely organized German chemical trust set about recreating its markets with confidence, believing that, by the perfection of former processes and the discovery of new, it could secure for itself a place as stable as that held before the war. While there has not been as much publicity concerning the methods employed—secrecy seeming to be inseparably connected with chemical processes—it is known that there has been the same elimination of unprofitable plants and processes; the same concentration on new inventions and on lines in which there is an unflagging demand; the same unification of buying and selling methods. The chemical trust, as a result, has never had a year, even in the midst of Germany's worst depression, without a profit.

It is of interest to note in passing that it is only in its chemical trade that Great Britain has begun to parallel the German rationalization process. Here, in the words of Mr. Meakin, Lord Melchett "applied his own precepts in practice."

Mr. Meakin gives a bird's-eye view of the rationalization of British chemical plants in this fashion:

"Hitherto in Great Britain the prosperity of the chemical industry had been based mainly on its world supremacy in the production of heavy alkalis, just as the German industry had been supported mainly by its supremacy in the production of dyestuffs. The policy of the Combine management was to maintain the alkali position; to extend the manufacture of dyestuffs developed during and after the war by state aid; to build up at Billingham on the Tees a great complex of synthetic nitrogen manufacture and associated processes, including the hydrogenation of coal to produce oil, on a scale comparable to the Leuna establishments of the German trust; to transform gradually the miscellaneous activities of the former separate concerns by scrapping the older buildings and plant, and specializing production on a full-time basis in new and modernized works; and to concentrate and simplify the sales organizations."

6. *Rationalization Crosses Europe*

The rationalization process we have thus seen going on principally in Germany has gone on all over Europe. In a country like Poland, for example, where manufacturing is still less important than agriculture, the rapidly growing steel and iron trade is completely rationalized. In the Polish metallurgical field, 14 major organizations are combined in one unit, the Zwiazek Polskich Hutzelaznych. This operates plants in 22 Polish centers. While these are autonomous, a constant effort is made to concentrate production in the best equipped and best located mills, while the selling efforts of the whole industry is unified in three selling organizations, one of which concerns itself with sales inside Poland, and the other two with the world market.

There are national organizations promoting rationalization in Germany, Austria, Czechoslovakia, France, Hungary, Italy, Poland, the Netherlands, Rumania, Spain, Switzerland and Norway. Many of these organizations have government subsidies. In Czechoslovakia the Masaryk Academy of Work, an official institu-

tion, carries on propaganda in favor of rationalization under six different sections. Thus, during the last year, it has promoted rationalization and standardization in medicine, pharmaceutics, the production of agricultural machinery, building operations, mechanical and electrical engineering, timber, textiles, and through vocational guidance and aptitude tests for employees, industrial workers and motor drivers. The Masaryk Academy is sending a number of young technical students to the United States to study industrial processes.

An incomplete survey shows that there are now two European periodicals published in multilingual form which are entirely devoted to the progress of the rationalization movement. In addition, there are 48 periodicals published in Germany, 17 in France, 2 in Spain, 1 in Hungary, 6 in Italy, 3 in Poland, 1 in Rumania, and 2 in Czechoslovakia, all dealing with various phases of the subject. The book and bulletin literature which is piling up, under the impetus of the International Committee on Scientific Management, with its branch organizations in the states already mentioned, is of enormous proportions. National congresses are being held in practically

all of the industrial nations of Europe, as well as the international gatherings which have been held at two-year intervals, the latest meeting in Paris this year.

7. *How America Has Helped*

In a sense, the rationalization movement can be said to head up in the International Management Institute at Geneva. This institution—which is known in French as the Institut International d'Organisation Scientifique du Travail and in German as the Internationales Rationalisierungs Institut—was founded early in 1927 by the International Labor Office, the International Committee for Scientific Management, and the Twentieth Century Fund. The latter is an American endowment, in which such industrial leaders as Mr. Edward A. Filene and Mr. Henry S. Dennison are largely interested.

The whole history of this organization is a refutation of much of the cheap talk that can be heard, both in America and Europe, concerning America's economic ruthlessness and her refusal to help in solving the problems of other lands. It is no secret that the financial support behind

the International Management Institute has been largely American. Without the active leadership of Americans the Institute would never have been founded, and several times in its history it must have been abandoned except for American faith and renewed support. Yet the whole business of the Institute is to put freely at the disposal of European industry information as to the methods and business philosophy under which American industry has achieved its unique prosperity. The Institute is, in other words, the intervention of American business in Europe to aid European business in becoming a sturdy competitor for world markets.

The International Management Institute maintains in Geneva, in a château on the grounds of the International Labor Office, what amounts to a staff headquarters for the European rationalization movement. Here, under the direction of an international staff of ten experts, material bearing on all phases of scientific management is collected and made available to European governments, manufacturers, business houses, schools, and even labor unions. A regular bulletin service, in three languages, is maintained, while special

studies of significant industrial experiments are also supplied to the Institute's subscribers.

As I write I have before me a bulletin of the Institute which shows that, in the two years, 1927–1928, in addition to information on the progress of organizations fostering the rationalization movement, this body furnished its subscribers with detailed information on the following range of topics: rationalization in the individual enterprise, covering such questions as personnel, industrial relations, industrial leadership, psychotechnology, wages, unemployment, and safety; rationalization in organization and equipment, covering such questions as lay-out, work planning, flow work and mass production, internal transport, packing, general distribution, marketing, credit and instalment buying, retail trade, new methods of distribution, including department stores, chain stores, rolling stores, one-price stores, and salesmanship and advertising; rationalization in administration, dealing with office work, budgetary control, and accountancy.

Another portion of the material distributed during this same period fell under the head of economic rationalization, and had to do with

the operation of trusts and combines, collaboration through management research groups, elimination of waste, and simplified practice and standardization. Still another part of the work of the Institute, and a much larger part, was taken up with informing its subscribers as to the application of rationalization to different branches of industry. Nineteen such branches were treated: agriculture and forestry; mines and quarries; iron and steel, engineering, metal trades, hardware; electrical power and light; automobiles; timber and wood-working; building and domestic economy; pottery; asphalt, oil and rubber trades; chemical industry; textiles; boot and shoe trade; foodstuffs; paper and printing trades; banking; insurance; transport; public administration, and handicrafts.

Any reader with imagination will have no difficulty in penetrating behind the monotony of such a list to the enormous value of its contribution to the making of a new European industrial life. Incidentally, reflection on the diverse elements which are included will help to explain why it is difficult to make a simple definition of the content of the term "rationalization."

8. *What Rationalization Proves*

The story of the rationalization movement might be extended indefinitely. It all comes to this, however, that the old days of individualistic, rule-o'-thumb business in Europe are gone. In their place has come an industry that is consciously following the lines laid down by American big business. Mass production, the elimination of waste, standardization—these and all the other slogans of American large-scale industry have been adopted in their entirety by Europe's industrial leaders. Europe's manufacturing plants are being conquered by the conveyor belt. It is no mere coincidence that the best known American is Henry Ford.

But what, it may be asked, has all this to do with the proposal to establish a United States of Europe? A little reflection will show that the rationalization movement proves, for one thing, that Europe is ready to adopt new methods. The power of tradition is on the decline. In the second place, the intense interest which all European governments are showing in the movement reflects the growing influence of business in government. The European state is coming more

and more under the domination of economic interests. And in the third place, the thoughtful European business leader has to proceed only a little way with his rationalization processes before he discovers that their complete working out is impossible within the artificial restrictions imposed by present nationalistic divisions.

Rationalization, for big business at any rate, requires at least a continent for its proper functioning. Scientific management largely goes to waste if products are artifically restrained within the narrow boundaries of the average European state, or if factories are artificially restricted from free access to their necessary materials. Cartels on an international scale are a beginning toward the surmounting of these artificial barriers, but they are only a beginning. Something more than an extension of the cartel movement is needed, in the view of most European business men, to make the entire continent prosperous. This something more they believe will be found when tested rationalization processes are applied to all business in a continent that knows a free movement of goods and complete freedom of trade everywhere within its boundaries. And that, in other words, is a United States of Europe.

CHAPTER VI

THE OUTLOOK FOR EUROPE'S WORKERS

1. *The Masses and Pan-Europe*

COUNT COUDENHOVE-KALERGI is credited with having claimed, not long ago, that five hundred men can, if they will, bring the formation of a Pan-European federation to pass. There is a sense in which this is probably true. And proponents of the idea are naturally apt to emphasize the importance of securing converts from this restricted circle of influential persons, since by this they hope to convince a skeptical world that the realization of their dream is something that can be attained in the immediate future.

But when Count Coudenhove-Kalergi first introduced his idea to the world he spoke in a somewhat different vein. Then, in his book, "Pan-Europe," he said, "While thousands believe in Pan-Europe, it is a utopia; so long as millions believe in it, it is a program; but at

once a hundred million believe in it, it becomes a fact." This is the more realistic prophecy. Of course, a selected group of national leaders can produce an enormous effect if they come out in favor of the idea. They may even be able to induce parliaments to vote in favor of various steps in its realization. But it will require widespread popular support to give the movement that vigor and ability to survive setbacks which it must have if it is to be anything more than a passing enthusiasm.

It cannot be too often emphasized that the greatest obstacle in the way of a genuine solution of Europe's difficulties—whether that solution takes the form of a European union, or whatever form it may take—is the mutual suspicions and hatreds existing between the common people of the different nations. Statesmen are frequently accused of keeping Europe's flames of jealousy and bitterness alight, and some of them are not guiltless of the charge. But the most evil-minded leader could not successfully follow a policy of mischief-making for long if there were not already a general disposition on the part of the masses to think evil of their neighbors and to

wish evil to them. It is the common man's passion that makes Europe a smouldering lava-bed of ancient antipathies today.

For that reason, as has already been said, popular support for the United States of Europe idea will not be enthusiastically forthcoming until the common man comes to realize the hopeless future which the present order fixes on him, and until he sees that there is material gain for him in a breaking down of the barriers that now separate him from the people of adjoining nations. Pan-Europe will not be assured until the common man demands it. He will not demand it until he sees that his bread and butter, his home and his clothing, his own prosperity and the future of his children is involved. What chance is there of convincing him of this? Let us look at Europe from the viewpoint of the workers, and see whether we can arrive at an answer to that question.

2. *British Labor and the Future*

Viewed from the workers' standpoint, the first thing to be said about the situation in Great Britain is that the tight little isle has become

altogether too tight. England lived through a long century in relative prosperity, a reward for her good fortune in being the first to harness her industrial life to the new age of steam. But the great industrial lead that Britain had piled up during the nineteenth century was being rapidly whittled away throughout the opening decade of the twentieth, and the war wiped out completely what remained of it. The first economic fact that strikes the observer in England today is that there are more mouths to feed than British industry, as at present organized and functioning, can fill. Britain is overpopulated.

In one sense, England came out of the war more devastated than any of her allies, although no enemy soldier ever set foot on her shores. Her national debt was so increased that interest charges went up from approximately $120,000,000 the year of the war's outbreak to almost $1,750,000,000 in the year when she finally managed to bring her currency back to the gold basis. Of her shipping—that vital factor in British economic life—she lost 9,000,000 tons. Many of the best of her old markets, such as

Germany, Austria and Russia, were bankrupted. Others built up industries of their own during the war years, and meant to see that these supplied the needs which once had been supplied by Britain. Finally, two markets that she had once held with ease she found now to be passing rapidly to competitors, South America at the industrial invasion of the United States, and India and China at the invasion of Japan.

The result was summarized by the Liberal party, in its report, "Britain's Industrial Future," published in 1928, in this fashion: "For the past seven years the condition of these industries—coal, iron and steel, shipbuilding, textiles—the chief contributors to our development during the nineteenth century, has been profoundly unsatisfactory, whether we have regard to the volume of trade and of employment, or to the wages and profits which they have afforded to those engaged in them. Moreover, while the outlook for some of these industries is improving, the difficulties of others, and among them the most important, namely coal and cotton, are becoming increasingly acute. The troubles of the export industries have acted as a brake on

our general economic progress. They render its continuance precarious. They have persisted too long to entitle us to dismiss them with facile expressions of hope that better days may be in store."

The extent of Britain's unemployment problem will be referred to elsewhere in this volume. The report of the ministry of labor for 1928 frankly admits that for that year "the course of employment was, on the whole, disappointing." Mining, shipbuilding, cotton, woolens and worsteds, and boots and shoes—industries employing about one-fifth of the total working population, under the industrial insurance figures—provided about one-third of the unemployment. The lowest figure which the registered unemployment reached during the year was above the million mark; on December 31, 1928, Great Britain had 1,520,730 registered as out of work. This out of a total working population of less than 12,000,000!

Figures such as these, appalling as they are to one who reads them with any imagination, still fall far short of giving a picture of living conditions as they are in scores of British communities. Just about a year ago, Mr. John Gals-

worthy, the novelist, wrote a letter to the editor of the Manchester Guardian in which he told of the situation in more human terms.

"I have recently visited a mining village, which shall be nameless, where two collieries are closed and a third wavers on the brink, so that some three-quarters of the miners are unemployed and the whole may quite possibly soon become so," said Mr. Galsworthy. ". . . There, in fact, was a male population entirely dependent on mining, three-quarters of whom were out of work. And this is one of the better centers of unemployment, because their fate only descended on them six months ago. There is no evident distress; the children are not as yet ill nourished. The men are still on the 'dole'; have just enough to keep the wolf from the door. When in course of time the dole ceases and they come on the rates (a vanishing quantity in such a district) they will still presumably not absolutely starve; but what a life is and will be theirs—idle, hopeless, and increasingly destitute!

"The chief pit, mind, is closed forever, and the fifty years of coal that they say is still there is lost to the nation. I saw a good many miners of

all ages, puzzled, dejected, but with very little bitterness as yet, having the English power of believing that something will turn up. They have nothing to do except report to the Labor Exchange. They sit at home or stand about. Good folk, friendly, patient—from father to son attached to their job, attached to their homes. In a way those last virtues are against them; they hate to be uprooted—who doesn't? They will not willingly even be transferred. They say they will go to any permanent job provided, but as yet they will not take chances.

"A mining community is very much out of the world's ebb and flow. It has to be, and you can't easily change its mentality. In one family, as good people as can be met with, the father, a strong, sturdy, cheerful man, showed me the reference given him by the manager on the mine's closing: twenty-eight years in the same pit, most of them in a responsible position.

" 'I've got fifteen years' work left in me,' he said, 'but what chance have I got of another job at 56?'

"One son was just back from his job at the pit that is still working but probably doomed; an-

other son, with a wife and three children, was out of work; a third son was out of work. There was no sign of bitterness in any face or voice."

What is the outlook for workers who find themselves in such a position? It is generally admitted in England that the mining industry requires complete rationalization, and the present Labor government is putting on heavy pressure to bring this rationalization to pass. But such a process will require the elimination of probably at least 300,000 men from the ranks of the miners. This may mean, in the long run, that the remaining 800,000 men in the industry can look forward to fairly steady employment, and at fair wages. But it will mean, in the period of reorganization, a vast human displacement, with workers being placed on pension at 60, or perhaps even earlier; with thousands of other workers in the prime of life being transferred into other industries; and with thousands of young men being forced to emigrate to other parts of the empire or to the United States.

Of course, coal mining, basic as it is to Britain's industrial life, is not the whole of it. And even when the distressing conditions in textiles,

shipbuilding, and to a considerable extent in steel and iron, are added to the story, there are other elements which are not without their encouragement to the British worker. For one thing, Britain retains approximately the same proportion of the world's carrying trade that she held before the war. This in itself will provide for the support of a considerable portion of her population. Again, there is coming to England considerable industry of a new sort, such as the manufacture of motor cars, electric equipment, chemicals and the like. And this new industry is not confined to the north; it is spread over the whole country, and is offering the comparatively high money wages of the factory to thousands who dug their living out of the land in the past.

At the same time, however, there is a distinct movement toward the land in many parts of England. Under the weight of taxation, big estates are everywhere being broken up. Dean Inge stigmatizes the resulting colonies of small holdings as "bungaloid growths," but they represent freeholds with gardens capable of contributing largely to the support of the owners. Moreover, British agriculture would seem to be on

the verge of great advance, for with the development of electric service it will be possible for farms to be run on a much more modern basis, and to produce a much larger volume of foodstuffs than in the past. The prosperity of these farms will, in turn, provide an increasing domestic market for new farming machinery.

View the industrial outlook as optimistically as you will, however, and it is still difficult to foresee any considerable prosperity for the British worker. Certainly he is hardly in sight of attaining those returns from his labor which he has been assured he may legitimately expect. Mr. Seebohm Rowntree, one of England's foremost employers, has summarized the legitimate expectations of labor as:

1. A living wage, by which is meant a wage large enough to enable the worker to marry, live in a decent house, bring up a family of normal size in full physical efficiency, with a reasonable margin left over to care for emergencies and recreation.

2. Reasonable hours of work, a 48-hour week being regarded as normal.

3. Reasonable economic security, to be guaranteed by means of unemployment insurance.

4. The status of a free man in a free country, by which it is meant that the worker shall not be at the mercy of his boss, but shall have direct representation on a works council which has genuine authority.

5. Some scheme of profit-sharing by which workers have a direct share in the prosperity of the work in which they are engaged.

With the best will in the world, both from a large portion of the employing group and from the government now in power, together with the aid of all the industrial aid schemes which that government can float, it must be admitted that any such future as this is still far beyond the hope of a majority of England's workers. And it will remain there unless England's markets are in some fashion expanded.

3. *What Can French Labor Expect?*

It has already been said that France has, in certain respects, experienced a remarkable industrial revival since the war. In her former devastated areas she has created one of the most modern industrial sections in the world. She

has new woolen, cotton and linen mills, new sugar plants, new iron and steel works, newly equipped mines and new heavy machinery plants. The whole region is gridironed with high-tension electric lines. Following the example of German rationalization, power stations and chemical plants are located at the mine mouth.

Today France's exports are twice what they were before the war. Thanks to her gains from the peace treaty, she has become almost self-sustaining in regard to fuel. Compared with 1913, her gain in output stands at about 30 per cent, while that of the United States is about 20 per cent, that of Germany 10 per cent, and that of Great Britain only one per cent. No wonder she has no unemployment problem!

But this is not all of the French industrial picture. The majority of French workers are still peasants, engaged in agriculture. For them the outlook is far from roseate. Comparing the year before the war, 1913, with the last year for which agricultural statistics are available, 1927, it is discovered that the surface sown to wheat has diminished by 20 per cent; that the rye crop has fallen off by 400,000 tons, the oat crop by 200,000.

Barley, sugar and potatoes alone are at the pre-war level.

The number of horses owned by French farmers has diminished by 300,000; of hogs by 1,000,000; of sheep by 5,400,000. Vineyard acreage shows a decline from approximately 3,750,000 acres in 1913 to 3,400,000 acres today. The high tariff policy has sent up the price of the machinery used by farmers much more rapidly than there has been an increase in the price he receives from his sale of foodstuffs. Such money as the farmers made during the war was wiped out when the franc was stabilized at one-fifth its former value.

The country districts are constantly losing population. The drift to the cities has now reached the point where only 52 per cent of France's people live in towns with less than 2,000 population. Consequently, the necessity of importing foodstuffs is rapidly increasing. The gain in imports of foodstuffs and drinks over 1913 has been more than one-third. At the same time the foodstuff exports have fallen off by five per cent. The foodstuff deficit is today 60 per cent larger than it was, on the average, between 1909 and 1913.

Elsewhere I have spoken of the disappearance of the *rentier*, the Frenchman living on the income from his investments, following the bankruptcy of Russia and other countries in which French investments were concentrated, and following the stabilization of the franc. The same process which has eliminated the *rentier* has brought an ominous increase in the number of women in industry. In 87 departments of France the number of women engaged in non-manual work increased between 1911 and 1921 by 465,000. Today, 42.3 per cent of all adult French women are at work.

The disaster that has befallen this same middle class is also shown by the drop in foreign investments. Before the war these averaged about 3,000,000,000 francs a year. In 1928 the sum invested abroad, in terms of the value of the 1913 franc, was only 1,273,000,000 francs. And even this represented not the investment of banks or individual investors so much as of industrial corporations.

France's economists view the future with unconcealed concern. To them, the rapid increase in the agricultural deficit and the decrease which is now beginning to set in on the value of indus-

trial exports spell but one thing. The period of relative prosperity which has followed the war is increasingly imperiled. Unless the French manufacturer and investor can find new markets, French labor faces a period of great difficulty. But where are these new markets? French industrialists are undoubtedly thinking in terms of the undeveloped areas of eastern and Mediterranean Europe. Their interest in bringing this region under a free trade regime is therefore clear. Can they make this interest clear to their employees?

4. *Italy and the Syndicalists*

From the standpoint of the worker Italy presents one of the most interesting situations in contemporary Europe. Having come into power in the midst of an industrial confusion that bordered on anarchy, Mussolini has taken hold of the economic situation with a firm hand. Not only has the government budget been made to balance for the first time in sixty years, but all government services have been brought to new standards of efficiency and the whole industrial situation toned up. The development of hydro-

electric power has played a large part in this. Italy now operates more than 80 per cent of all her industries with electricity, as the British miner has rueful cause to know. All production has been brought back to pre-war levels, and much of it is above that standard.

The Italian industrial structure today rests on syndicalism. This is, of course, syndicalism of the fascist type. The organization of the syndicates is too intricate for description here. It is sufficient to say that practically all employers and employees are grouped in thirteen syndicates, which are again brought together in seven corporations representing the metallurgical industries, the mechanical industries, textiles, the chemical industries, agriculture, commerce, and chemical trade. These have complete control of conditions within the industries they represent, working in accord with the officers of the fascist state. They also elect the members of the Italian Chamber of Deputies, which is thus organized on industrial rather than geographic lines. Needless to say, the fascist grand council has a determining voice in the selection of the candidates among whom the syndicalists may choose.

The rank and file of Italian workers undoubtedly support the fascist-syndicalist regime. This is natural, for under this rule work has been more plentiful and regular. Although strikes have been made illegal, the machinery for hearing complaints of laborers has been made easy of operation, and the government has stepped in in thousands of cases to establish new wage schedules. Yet the trend of wages seems to have been downward. Thus, in Milan, a comparison between wages in January, 1927, and in January, 1929, shows that the pay of carpenters has fallen from $10.89 to $9.09 a week; masons from $10.37 to $8.71 a week; painters from $11.97 to $9.97 a week; cabinet makers from $10.13 to $9.86 a week; skilled workers in the chemical industry from $7.42 to $6.72 a week. Such statistics as are available from other parts of Italy show much the same falling off.

At the same time, the workingman must soon come to realize that he is the foreordained victim of Mussolini's policy of Italian aggrandizement. In the years before the war Italy was sending hundreds of thousands of her surplus population annually to America. American immigration

laws now make that impossible. France absorbed large numbers of Italians immediately following the war, but France is no longer eager to replace her war-destroyed population. Mussolini, however, plunges ahead encouraging the building up of large families, placing heavy taxation on bachelors, and in every possible way increasing Italy's already overcrowded condition. A population of 60,000,000 by 1950 is the avowed aim of the fascist government. This may be a logical program from the standpoint of Mussolini's oft-announced desire to obtain and develop a large colonial empire. But it spells bitter poverty, and perhaps future war sacrifices, for the Italian peasant and worker.

Just now the eyes of the common man in Italy are dazzled with the visions of a glorified Italy painted by Mussolini's eloquence. But oratory cannot forever take the place of bread. As the overcrowding of his country becomes more acute, as wages continue to slide downward as the surplus of man-power increases, the Italian worker may grow more critical of Mussolinian policy. He may see that his personal welfare depends on winning the friendship of neighboring

nations, rather than antagonizing them; on opening the doors to new markets, rather than provoking their closing. Out of that awakening, if it should come, a drastic change in fascist foreign policy might ensue. But it must be admitted that this perception by the Italian worker of his gloomy future under present fascist policy is not yet in sight.

5. *Germany's Struggling Masses*

We have already told of the remarkable recovery of German business from the war, and from the dislocations that followed the war. Moreover, the government of Germany is today largely in the hands of the Social Democrats, who form the largest bloc in the Reichstag, so that it can be taken for granted that the state is doing everything possible to lighten the burden of the worker. Yet the lot of the mass of German toilers is terribly hard.

For Germany as a whole, the average weekly wage of skilled workers in February, 1929, was 52 marks 32 pfennigs. That means, in terms of American money, $12.56. The average wage of

unskilled workers was $9.73. There are a very few categories in which the wage of skilled workmen may go up as high as $24 a week. Printing is one of these. On the other hand, there are many groups of unskilled workers in which the level of pay is below $9 a week. Woman workers in especial frequently work for $6 a week, and some for even less than that. Out of a total working population of 4,483,600, there were 1,702,342 workers receiving unemployment benefits at the close of 1928. This is an appalling percentage to be out of work. Of course, the figures decline with the coming of occasional employment in the spring and summer. But even in May, 1929, the latest month for which statistics are available, the unemployed in Germany still numbered 1,400,000!

Of course, there is unemployment insurance. To this the German worker clings desperately, and naturally so in view of the number constantly out of work. But the manufacturer, who must contribute heavily to the insurance treasury, is increasingly bitter in his complaint. It is not at all impossible that the insurance issue may become the most heated one in Germany's internal

politics within the next year or two. Without going into the intricacies of the system, it can be said that the highest insurance a maximum-wage skilled worker can receive, including the allowances for any number of children he may have, is $9.07 a week, with a limit of 26 weeks. If the worker needs help beyond that, he must appeal to the philanthropic schemes of local municipalities.

While wages are thus low, house rents are high. A two-room apartment in a house built since the war will rent for between $16 and $22 a month. This is quite beyond the resources of an unskilled worker, as well as beyond that of the majority of skilled workers. This means that the worker must wait, before marrying, to obtain an apartment in one of the pre-war houses, where rents are held down by government decree. Since these apartments are jealously guarded by their occupants, the German worker may have to wait for anywhere from five to eight years before he can marry—a situation that is bound in time to have a devastating effect on community morale.

Wages are slowly going up in Germany, low as they still are. And German workers have greater opportunities to rise in the social scale than they

had before the war. But conditions are still anything but easy for the German worker. The necessity of working under high pressure in order to increase the export totals, and thus meet the reparation demands, does not make the outlook a comfortable one. So far, reparation payments have been made from Germany's foreign borrowings. But there is an end to this possibility; many believe this end to be already in sight. The day will come when the interest charges on the borrowings will have reached a figure as heavy as that of the reparation demands. The burden that German industry will then have to shoulder is staggering to contemplate. It will be the German worker who will suffer most under the resulting pressure. No wonder, therefore, that Social Democrats are as much interested as bankers in any United States of Europe plan which holds out a promise of a wider outlet for German products.

6. *Workers in the New States*

Considerations of space force me to pass over without comment the condition and outlook for labor in Scandinavia, the Baltic states, and Russia.

And I can only give a passing reference to the position in which the worker finds himself in the nations of central, eastern and southeastern Europe.

The precarious economic condition of Austria is generally known. By the terms of peace imposed on her, Austria consists of a city of 2,000,000 designed to serve as the capital of an empire of 30,000,000 people, but now the capital of a state containing only 6,500,000. Moreover, the Austrian hinterland is mountainous, and is hardly able to do more than sustain the lives of those who live on it, let alone a city like Vienna. The result is that Austria, without coal, without foodstuffs, without an export trade of any consequence, is almost totally dependent on other countries for sustenance. And since these countries are, to a large degree, former parts of the Hapsburg empire, still nursing the remembrance of wrongs suffered under that regime, it is not easy for the little state to reach a basis of economic stability. Indeed, the problem of bread and butter is still a bitter one for a large part of Austria's population. This contributes directly to the political unrest which characterizes the country.

Hungary has been so absorbed in the political questions growing out of her loss of territory under the Treaty of Trianon that she has hardly perceived the economic difficulties which beset her. But Hungary remains almost feudal in her social structure, with great landlords holding the bulk of her peasants as tenants on their estates. What commerce there is in Hungary is in the hands of Jews, Germans and Austrians. Some day—and that before long—these exploited peasants on the estates will begin to compare their position with that of the workers in Czechoslovakia and Poland. When they do, there will be less agitation about boundaries and more about property holdings. Hungary had a bitter experience with communism. This has had much to do with making the Magyar masses willing to accept the reactionary social policies of the Horthy regime. But the period of virtual serfdom cannot, and will not, last forever.

Of all the Austrian succession states, Czechoslovakia is in the best position from an economic standpoint. To begin with, the peace treaty made her the possessor of the most valuable portions of the old Austro-Hungarian empire.

Within her borders Czechoslovakia now holds almost 80 per cent of all the industries which formerly supported the commercial life of the Hapsburg realm. In addition, the new state has been given by far the wisest leadership of any of the nations carved out of the former dual monarchy. She has therefore been able to take advantage of the economic opportunity presented by the possession of industrial plants far beyond her own needs. The result has been a rapid building up of foreign trade—a condition that is reflected in the general prosperity which everywhere impresses the observer in Czechoslovakia. Given a European situation approximately the same as that which obtains today, and the common man in Czechoslovakia can regard the future with more complacency than his brother anywhere else in central or eastern Europe. Yet it is characteristic of the wisdom that has already marked Czech leadership that this state, which is already in good condition economically, is one of the strongest supporters of the proposal for a general European customs union.

While Poland has shown marked economic gains in the past year or so, conditions surround-

ing the life of her masses are still in striking contrast with those in Czechoslovakia. The intense nationalism of Poland, which led her into her war on Russia in 1920, and which has involved her in a succession of quarrels with all her neighbors, has made it necessary for her to keep her army at a high level and to impose a terrific tax burden on her people. American advice and financial assistance has helped the Polish government out of the financial difficulties which once made bankruptcy seem certain. There has also been a large American interest in the development of the enormously valuable mining region which Poland took over from Germany in Upper Silesia, and in the extensive building operations which have been carried on in Warsaw, and in the new Polish port on the Baltic, Gdingen. But Polish wages, despite an ambitious social insurance program, remain low. The best paid miners in the highly developed Upper Silesian mines receive only $1.14 a day. That is maximum; minimum for what government reports call "young persons" goes down to 16 cents. Miners in the zinc mines, which are largely American-owned, are paid 87 cents a day. Cotton weavers

receive 82 cents; carpenters and artisans about 67 cents in a city like Posen and 96 cents in the capital, Warsaw. The farmer has a struggle to obtain enough to live on, although the government has done much to make it possible for him to become an independent freeholder at low cost.

In the Balkan states the outlook for the common man is even more discouraging. Not only is the political instability of these states reflected in their large armaments—except in the case of Bulgaria, disarmed under the peace treaty—but the economic policy has, in almost every instance, been one of encouraging the establishment of home industries by the raising of tariff barriers, which really has served to keep the cost of products to the consumer at a maximum. Even in Rumania, where the agrarian party has won conspicuous successes, breaking the great estates up into small freeholds, the man on the farm is anything but prosperous. Wages for male farm workers nowhere go above 55 cents a day; frequently they are as low as 37 cents. Women, who do a large part of the farming of the country, receive from 24 to 43 cents a day, depending on the section. The most highly skilled factory workers

receive up to 18 cents an hour. Conditions are rather better in Rumania than in the other Balkan states.

7. *What Can the Workers Expect?*

This hurried survey of the economic situation in Europe—a survey which has not so much as mentioned the conditions in countries like Belgium, Holland, Spain, Portugal, Denmark, Norway, Sweden, the Baltic republics, Russia, Jugoslavia, Bulgaria and Greece—is intended to make two or three simple facts clear. It is intended to make it clear, for one thing, that labor is obtaining a new power throughout post-war Europe. This ranges all the way from the avowed proletarianism of Russia, and from the new agrarian policies of the backward states of the Balkans, to the presence of a Labor government in Great Britain. Just what the development of Europe will be during the next fifty or a hundred years no man is wise enough to forecast. But it is plain that the workingman now has enough power, if he can learn how to use it, to make that development accord with his wishes in every part of the continent.

But in the second place, it should be realized that, whatever the power which labor possesses, the mass of Europe's people still live in poverty. The farmers of a dozen countries, who were no more than chattels on great estates a dozen years ago, may be landed proprietors today. The factory workers may have forced parliaments to enact far-reaching social insurance programs. But all alike still live on the narrowest of subsistence margins, and all alike know a future that is filled with anxiety and the threat of hunger.

I think that unprejudiced examination will show, in the third place, that European industry cannot provide a higher standard of living for most of the people of Europe as long as it is organized on the present basis. As long as markets are artificially restricted by almost impassable trade barriers between the separate states, as long as the conception of economic relations is one of unremitting warfare, it is impossible for the worker, whether in factory or on the farm, to secure more than a hand-to-mouth living.

The only worker in Europe who can face the future with enthusiastic hope is the worker in Russia. To be sure, the lot of the Russian worker

at present is as hard as that of most of the workers in other European states. In some cases, it is, harder. He still works at low pay; he still must be satisfied with a bare subsistence. But he is not dogged with the same doubts, he does not rest under the same load of discouragement that is characteristic of labor elsewhere in Europe. He believes that the day is coming when matters will work out so that he will be able to live what he considers to be a fully satisfactory life. And the reason is that Russia, even if cut off from other states, can provide a free trade area large enough within itself to offer Russian industries all the markets they will need. In that respect, the example of Russia is like the example of America.

Sooner or later, I believe, the masses of the rest of Europe are going to awaken to this need for free markets many times the size of those now open to them. Far-sighted industrialists already perceive this need, and their support of the Pan-European movement is the result. But when the masses come to see it, the ancient hatreds and prejudices which now hold the 27 states of Europe apart will soon be discarded. There will come then a recognition of the community of

interest of the workingmen in every part of the continent. And when that comes, the establishment of a true and lasting United States of Europe will not be far behind.

CHAPTER VII

THE AMERICAN INFLUENCE

1. *Where the Idea Comes From*

IF anybody still doubts the world influence of the United States, the movement for the establishment of a United States of Europe should dispel his doubts completely. For not only is the slogan, "A United States of Europe," obviously inspired by the prestige of the American republic, but the main ideas which this slogan advances are ideas which have the American hall-mark all over them. Several years ago, speaking of the economic unification of Europe, Sisley Huddleston said that the United States "has supplied and is supplying the cement." If that was true then, it is even more true today.

Many European leaders who are today supporting the United States of Europe idea admit privately, although they may not think it wise to do so in public, that they have been greatly influenced in their thinking by the American example. M. Briand has said, in several private

conversations, that it was impressions gained during a visit to the United States that first opened his mind to the possibilities of a Pan-European union. Herr Loebe, president of the Reichstag, when speaking at the first congress of the Pan-European Union, testified that his adherence was a result of his travels on the other side of the Atlantic.

Even where the original source of interest in the idea may be in doubt, a short study of speeches and articles favoring the formation of a United States of Europe will find them, in almost every instance, appealing to the American example. "Pan-Europe," Count Coudenhove-Kalergi's book that marked the formal launching of this movement, bristles with references to American conditions and practices. Practically every speech before the League Assembly which referred to the United States of Europe proposal spoke in some fashion of the American union of states. America may be unpopular in certain European quarters—and she undoubtedly is, although not as unpopular as some unscrupulous elements in the press would try to make out—but she is also envied. The war-harassed states

of Europe look at her security and power with longing eyes. It is that same security and power which they seek when they talk of forming a new United States within the boundaries of the old world.

If a United States of Europe should be formed during the present generation, the United States of America will be able to take the principal credit for its formation. The idea that it would be a wise move for the different states of Europe to sink their quarrels in such a federation as would enable them to present a united front to the rest of the world would have remained an academic idea, without hope of being translated into action, but for two factors. The first of these factors is the American economic threat. And the second is the American economic example.

2. *The American Threat*

The American economic threat is seldom absent from the mind of the European business man. In an article in the Neue Zuricher Zeitung last May, Edouard Herriot, leader of the French radicals, after prophesying the coming of some

sort of European federation, exclaimed, "We must choose between European solidarity and American vassalism." This belief that European business is in danger of being swallowed wholesale is characteristic of large sections of continental thought. To an American, it does not seem to be a well-founded fear. But this does not change the fact that it exists everywhere in Europe, and has just as much influence as though it were well-founded.

Thousands of European business men look at the present economic situation obtaining between their states and the United States in much this fashion: Across the Atlantic lies a commercial El Dorado in which the business man can operate in a continental market knowing that no competitor can enjoy an advantage over him. This makes possible methods of standardization and mass production which are impossible to those who have a similar security only in a much more limited market. Therefore, the American business man can export to the world market with an advantage over all his competitors.

But at the same time that this condition exists, the United States not only maintains one of the

highest tariff walls in the world, but gives every indication of intending to build it higher. Figures quoted by Senator Borah in the debate on the tariff bill pending before congress in 1929 showed that only 3 per cent of all the goods in the American market entered from abroad. There is, in other words, a virtual embargo already in existence, and the American business man is doing what he can to make this embargo on foreign importations absolute.

Then on top of all this, the United States is one of the two largest creditor nations; it is by far the largest creditor so far as public debts are concerned. The greater part of Europe must work for generations to pay what are, ultimately, American claims. But the tariff policy of the United States puts that country in the position of refusing to accept the goods which represent the only commodity in which the European nations can pay. The United States thus has more exports than imports, and at the same time demands large cash payments in respect of debts. The only possible outcome, says the European, is an increase of the American capital investment, in one form or another, in other countries. In

other words, Uncle Sam will establish a financial stake that may finally amount to economic control in European countries. And that, in the new era of world relations, will be practically equivalent to political domination.

There are European economists who try to calm the fears raised by such an interpretation of the present situation. They admit that American industrial progress may injure certain European industries, such as the manufacturing of motor cars. But they insist that the building up of a large American stake in European industry does not diminish European prosperity in terms of the total goods and wages available to Europe's people. On the contrary, it increases European prosperity in this absolute sense. And the investment of American capital in European enterprises has many advantages for those enterprises, while its dangers are being greatly exaggerated.

But the voice of the objective economist prevails only a little against the fear of the European business man, who trembles lest it be his business that is next to fall before the conquering advance of American industry. Therefore it has come to pass that the chief topic of conversation in certain

European business circles is as to how European business can compete with American. And much of the emotion which today catches up and carries forward the United States of Europe movement is this emotion, arising out of fear, which demands some method of organizing against the American invasion.

3. *Is Europe's Back to the Wall?*

Until this fear of American business is realized, the passionate nature of the European protest against recent proposed high increases in American tariff duties can hardly be comprehended. It has been stated in the United States that these protests have not been of an unusual nature; indeed, that they have not been protests, in the technical sense, at all. As regards the formal representations made to the State Department, this is undoubtedly the case. But any American who was in Europe during the summer of 1929 knows that the feeling in business circles concerning the tariff bill as it was proposed by the House of Representatives was surcharged with emotion. What is the trouble? Why should it make so

much difference to a European nation that is trying to protect its home market from foreign entrance by the erection of high tariff walls if the United States does the same thing?

The answer is that the European, like other men, is more under the influence of his emotions than of his logic. He sees ahead a terrific commercial struggle for world markets. On the outcome of this struggle he believes the prosperity of his country to depend, for there are no European states left that can wrest prosperity out of their local markets. In this struggle for world markets, he fears the American as his keenest competitor. On the basis of a clear field with no favors he is quite ready to enter the contest. But he interprets the new boosting of America's already high tariff walls as a move to give American business such an absolute monopolistic control of its rich home market that it can afford to dump its goods into foreign markets at ruinous rates until it has those markets, too, in its possession.

The European is also frankly frightened by the increasing American control of credit. It seems to him that the United States now possesses most of the money in the world, and that its finan-

cial resources are increasing so rapidly that ultimately all the principal business enterprises of the world will be American-owned. Reports in the American press of the purchase by American interests of a controlling share in automobile works in France, Germany and Italy, or of zinc mines in Poland, or of shoe factories in Czechoslovakia, may add to an American's pride in the commercial expansion of his country. But they also add to the fear of the European business man that his turn will come, and that he will one day be forced by the American industrial conqueror either to sell out or to go to the wall.

The European business man feels that he has his back to the wall right now. With this colossus of American economic power towering over him, how can he fight? It may be that, by protective tariffs, he can hold his own restricted national market. But what chance has he to secure any important part of the world market in competition with this giant? It is when he asks himself this question that the American example arises to appeal to the European business man as much as the American threat has frightened him. The

American threat has made him ready to admit that, for his economic salvation, something must be done. The American example tells him what that something is.

4. *The American Example*

In a previous chapter I told of the transformation of European business which is coming through the application of methods of rationalization. Rationalization, as I said, is one of the current passwords in Europe. It is hard to define, but in the main it connotes about what the American business man has in mind when he speaks of scientific management. This rationalization movement is nothing less than the attempt of European business to discover the methods that have made American firms successful, and to apply those same methods.

So much is rationalization an indication of the American influence that, in its early stages at least, it was frequently spoken of as the Americanization of European industry. And even though that term, for obvious diplomatic reasons, has been dropped, it is true that in France the

process is still called by the name of the American father of the scientific management movement, Mr. Frederick W. Taylor. It gives an American something of a start, when prowling through a technical French work like "La Revue des Transports" to come on an article entitled, "La Taylorisation dans les Chemins de Fer Français." The verb, to taylorize, seems bound to become an established part of Europe's industrial vocabulary.

But the European industrialist does not need to delve very far into his study of American mass production methods before he discovers that the success of the American business man is not merely a matter of applying the best technological and administrative methods. The American business man is himself the first to tell him that the basis of his prosperity is not his factory and selling organization but the enormous "free trade" area inside which he carries on his operations. I have already quoted the manifesto which Mr. J. P. Morgan and other American bankers signed in 1926, adjuring Europe to get rid of her internal trade barriers. That note has never ceased to sound. At the convention of the International Advertising Association held in

Berlin last summer, Mr. Edward A. Filene of Boston gave it vigorous expression.

"Looked upon as an economic unit rather than a group of nations each encased in trade insulators," said Mr. Filene, "Europe presents market possibilities fully as vast as the United States. Consider where the United States would be today if each of the 48 states were separate nations, each 'protected' by its own tariff walls from trade with all the rest." Mr. Filene's words carry the greater weight in Europe because of his position as one of the founders and directors of the International Management Institute, which in a sense, as I have pointed out, heads up the rationalization movement for the whole continent.

The International Chamber of Commerce, in which the American influence is very strong, is also sure to strike this note whenever opportunity offers. "A European trade league would have open markets on at least the same scale as those of the United States," said Mr. Walter Leaf, when president of that body, "and would thus be able to compete in production on equal terms with that vast area of free trade intercourse."

And the formal actions of the chamber hold that "substantially similar freedom of commerce and trade in Europe (as in the United States) would inevitably result in great benefit to the European peoples."

5. *American Free Trade*

It will probably come as a shock to most Americans to find their country spoken of as a free trade area. Yet, to the European who has to do with the 27 separated and protected trade areas of his continent, the situation in the United States seems almost too good to be true. To be able to go anywhere within that vast area, either to obtain materials or to deliver goods, and never have to prepare papers for the crossing of a single boundary, never have to trans-ship from cars of one guage or of one nationality to those of another, never have to pay a customs duty—this seems to the European to constitute a virtual Elysium for any manufacturer.

Here, in the freedom of movement within the wide ranges of the continental United States, European industrialists find the underlying reason for American prosperity and industrial power.

And for that reason, while they eagerly follow the American example in applying efficiency measures to their production processes, they seek also to be able to follow the American example in the economic organization of their continent. The United States of Europe is not only a slogan. In a real sense, it expresses exactly what an important section of European business is seeking.

It is not any particular form of political organization that is involved. M. Briand speaks of a "federal link," but the link may bind together republics and monarchies without discrimination. What these European industrialists have in mind is some method whereby continental Europe would be organized as the same sort of economic unit that the United States of America is. It would have the same wide stretch of territory, containing the same rich stores of raw materials and the same thickly populated markets. Inside this territory there would be exactly the same freedom of commercial activity as in the American federal republic. And around the outside edge there would be the same high protective tariff that America has found of such importance in warding off competition from abroad.

6. *Is Pan-Europe Anti-American?*

The present popularity of the United States of Europe idea grows out of the fear and the example of America. Is it directed against America? European leaders, whether politicians or industrialists, will answer that question with a decided negative. M. Briand's disclaimer, as contained in the foreword to this volume, is specific. But there is still enough danger of this interpretation of the proposal to make its sponsors exceedingly sensitive on the subject.

I have not had a more amusing experience in a long time than I had at the Quai d'Orsay when I asked one of the under-secretaries for foreign affairs, immediately after M. Briand's announcement of his intention of raising the question at the 1929 session of the Assembly of the League of Nations, if that was to be regarded as a move directed against the United States. The outraged under-secretary seemed to find it difficult to discover air enough and waving hands enough with which to protest against such an idea.

Of course, he was fully justified in his protestation. It would be altogether a mistake to re-

gard the formation of a United States of Europe as a union directed against the United States. If it comes to pass it will undoubtedly provide the United States with a much more powerful commercial competitor. But such competition America should welcome. In free and fair struggle with honorable competitors, America has nothing to fear. The stronger the competitor, the more sure America will be to keep her own economic machine functioning at maximum efficiency. And the success of a European federation, bringing prosperity to Europe's workers, might offer American business additions to a market that is now sadly circumscribed by poverty.

But as a matter of fact, while it is true that the formation of a United States of Europe will not be against the United States of America, it is also true that, except under the stimulus of American economic growth the movement would never have attained its present importance. It is, as was said earlier in this chapter, the desire to form a combination of states which can support a strong competition with American business, that gives drive to the Pan-European agitation.

In that sense, the United States of Europe idea is anti-American.

There are abundant factors, as I shall show, working against the proposal to bring Europe together. The main reason why, despite these factors, men now talk as though a European union might soon be brought to pass, is simply because they have become convinced that this is the only way by which they can escape from ultimate subjugation by the advancing army of American industry. In this sense, if there is a United States of Europe tomorrow, America can certainly claim credit for its birth.

CHAPTER VIII

PROBLEMS FOR THE U. S. E. TO SOLVE

1. *The Heritage of Versailles*

THE principal influence supporting the formation of a United States of Europe is industrial. It is the idea of some sort of customs union, giving business a free continent within which to develop, that has taken hold of the imagination of the European business man and made him the chief champion of this movement. But it is not only as an economic factor that many European leaders find importance in the proposal. They hope that a United States of Europe will, if formed, prove equally helpful in solving a large number of the political and social problems that now appear insoluble.

More experts were employed in drafting the treaty of Versailles than have ever participated in any similar undertaking. Each of the principal negotiating delegations came to that conference accompanied by—one is tempted to say

surrounded with—expert advisers on every possible question that could arise. In most cases these men did their work with an honest desire to see a treaty drafted that would be generally accepted as just, and that would stand without serious modification as a permanent basis for a peaceful Europe.

Yet the treaty of Versailles, it is now generally admitted, has opened new and festering wounds all over the body of Europe. Despite the reams of arguments with which the experts bolstered up their advice, it is evident that many of the solutions of the treaty were not real solutions at all, but at the best only postponements of issues that will have some day to be faced. And during the period of postponement these questions are growing increasingly tense.

It is not the purpose of this chapter to give in any detail a survey of the unsolved political problems which plague Europe today, ten years after the signing of the treaty of Versailles. But a hasty glance at two or three of the most important of them may help to show another direction in which the breaking down of the nationalistic divisions of the continent would help toward a

solution. For in every case sober European thought admits that unless some solution is found these problems will eventually become too difficult for peaceful handling.

2. *Unsettled Boundaries*

There is, first of all, the problem of boundaries. The peace conference in 1919 did its best to draw the boundaries of Europe in accord with historical and ethnographical facts. Yet it had to adjourn leaving some of these tangled questions for a council of ambassadors or for the League of Nations to settle. And many of the decisions it made have been, and still are, fiercely attacked. It is hardly over-sensational to say that Europe is today divided into two groups: one holding that the boundary decisions of 1919 are sacred and must never be altered; the other holding that unless they are altered the continent can never regain a settled peace. Indeed, Count Coudenhove-Kalergi has declared recently that unless a United States of Europe is formed, that continent will ultimately divide into two warring camps, each holding one of these two positions.

Many Americans do not realize that there are still two boundaries in Europe which have not been accepted by the states involved. One is the boundary between Poland and Lithuania, and the other that between Russia and Rumania. The dispute between Poland and Lithuania, growing out of the Polish seizure of Vilna and its later confirmation in possession of that city by the League, has several times flamed dangerously close to actual war. Year after year the Lithuanian complaint against Poland has disrupted the proceedings of the Council of the League. And while it has now been agreed on both sides that there will be no going to war over the issue, Lithuania still insists that it will not recognize the award as final.

The disposition of Bessarabia is in somewhat similar state. Russia refuses to recognize the Rumanian control as final. On the other hand, both Russia and Rumania say that they will not go to war over the matter. And since Russia has every interest in remaining at peace, at least for another half dozen years or more, while it would be suicidal for Rumania to attack her gigantic neighbor—nor would there be any sense in such

an attack, since she is now in possession of the disputed territory—the chances are that the Bessarabian question will not come to an open conflict, at least in the near future.

Go down into the Balkans and you find border difficulties more intense than before the World war. For various reasons, Turkey, Greece and Rumania are content at present to leave the Balkan situation as it is. But Bulgaria and Jugo-Slavia seem to be involved in a never-ending quarrel that may precipitate a crisis at almost any time. The bone of contention is Macedonia. The trouble over Macedonia goes back to the war with Turkey in 1912. At that time, by the terms of a prior treaty, Bulgaria was supposed to get Macedonia as spoil of war. Serbia actually got the disputed province. During the World war Bulgaria, associating herself with the Central Powers, won Macedonia back, and held it for three years. Now Jugo-Slavia holds it again, and Bulgaria nurses its wrongs.

Come up into central Europe and you have the unconcealed bitterness of Austria and Hungary over their present territorial status. Hungary has one of the most active propaganda

departments in Europe, which never ceases to ring the changes on the "crime" of the treaty of Trianon, by which huge slices of what was once Hungary were handed over to the succession states of the Little Entente. The Little Entente is, in fact, nothing more than a combination of the states that profited by the slicing up of Hungary to see that Hungary is not tempted to embark on any adventures for the "rectification" of her frontiers.

In Austria, the claim is generally made that present frontiers are impossible from an economic point of view. No nation, it is claimed, can prosper when it consists of nothing but a great city of two million population supported by a mountainous and poverty-ridden hinterland supporting only four million people. It is in view of this situation that so many Austrians hold there must be reunion between Austria and Germany. But this reunion is bitterly opposed by practically all the dominant states of the continent. Yet events are constantly transpiring to show how far from stability is the Austrian government.

Probably the most mischievous boundary question in Europe is that of the Polish corridor. The

makers of the treaty of Versailles were convinced that Poland should be given access to the sea. They discovered, moreover, that a large portion of the population in this particular part of Germany was Polish. They therefore carved out the corridor, which puts a huge slice of Poland squarely athwart Germany, cutting off east Prussia from the rest of the reich. Again, there is a formal agreement, in the Locarno pacts, between Germany and Poland never to seek the solution of this question by war. But the question itself will not down. It has become an obsession with a large part of the German public. On the other hand Poland, having what she wants, will hardly agree to any negotiations looking toward a change in the present status.

Other boundary problems might be mentioned, but these will be quite enough to show the extent to which Europe's political outlook is darkened by issues of this sort. The longer European statesmen consider these problems, the more difficult does their solution, under the present system of divided and exclusive nationalities, seem. But what if M. Briand's "federal link" can be forged? What if these quarreling states can

be brought together in a union in which their community of interest will be clear? Will it not then be much easier to readjust these boundary matters, since boundaries as between the states within the federation will then be of minor importance? Many European political leaders believe that this will be the case. That is another reason why they work for the coming of a United States of Europe.

3. *Minorities*

Or take the question of the minorities. Here is another problem, somewhat similar to that of boundaries, and equally far from solution under present conditions. Try as they might, the makers of the treaties of Versailles and Trianon could not draw the political boundaries of Europe so as to include all the racial groups within their own natural states. And if the political boundaries were to be redrawn today, it would still be inevitable that, when the task was done, there would be groups of Germans, Poles, Magyars, Bohemians, and a dozen other nationalities left outside the limits of their homeland.

It was the intention of the nations that drew up the treaty of Versailles to cast such protection around the minorities which they were forced to include in the new states created after the war that, no matter how nationalistic the new governments might prove to be, the minority people would still be able to maintain their cultural life. The obligations which these new countries accepted are well illustrated by the case of Poland.

Poland agreed that, if members of the minorities within her territory had been born there, they should have the right to become Polish citizens on exactly the same terms as native Poles. In case they did not wish to become citizens, they were to emigrate to other countries. Life, property, and the free exercise of religion were to be inviolate. Equal civil and political rights with Poles were guaranteed. The use of the minority languages was protected, not only in ordinary business affairs, but in schools, churches and courts. Schools were to be provided for districts inhabited largely by the minority peoples in which instruction should be in the minority language. Such schools were to be supported from public funds. In case of viola-

tion of these obligations, the minority was given the right of appeal to the League of Nations.

The attempt to enforce these provisions, in Poland and in other nations, has met with almost continuous opposition from nationalistic groups. Indeed, in some countries the nationalists have gone so far as to advocate cancellation of the treaties protecting minorities entirely. The situation has been aggravated by the fact that Italy, not having been formed after the war and being one of the principal powers at the time of the peace conference, was not forced to give the same guarantees that were exacted from the other states.

While there has been an apparent attempt, on the part of Poland, Jugo-Slavia and one or two other states, to improve conditions for their minorities in recent months, the question is still one with great power for evil. It has not been surprising, therefore, to see it assume, under German pressure, more and more importance at the sessions of the League of Nations.

One of the interesting political incidents of 1929 in Europe was the publication, in the London Sunday Times, of Mr. Ramsay Mac-

Donald's article on the minorities as a menace to Europe. The sensation caused by the appearance of this article, written when Mr. MacDonald was an ordinary member of parliament, but published after its author had become prime minister of Great Britain, to some extent directed attention away from the things he actually said.

"When the treaties were ratified," said Mr. MacDonald, "leaving Jews out of account, the following figures will give some idea of how they left the matter. Out of a population of 27,000,000 Poland included about 6,000,000 of alien race; Czechoslovakia, out of 13,000,000, had 3,250,000 Germans and 745,000 Magyars; Hungary, out of 7,000,000, had over 500,000 Germans and nearly a quarter of a million others; Rumania was still worse, for half of Transylvania was alien, Bukovina was German, Bessarabia was Russian and Ruthenian, the Dobruja was a mixture of Bulgars, Russians, Germans, and Turks."

After speaking of the way in which the minority problem has developed Mr. MacDonald commented: "No political genius can provide frontiers for European states which will follow with fidelity racial divisions. The populations

are too much mixed up, and there are islands of races which can neither be formed into separate states nor be connected politically with their parent stock. In the common interests of peace and as a defense of democratic institutions, we have therefore to consider what are the rights of minorities, and what state policy should be pursued regarding them. Obviously the aims should be to make the minorities comfortable in the state of which they are a part, so that they may cooperate in its general life."

Mr. MacDonald suggested that the League of Nations form a permanent Minorities Commission, similar to its Mandates Commission, which should hear complaints from groups which considered themselves misused and should provide the states thus accused with opportunity for public defense of their policies. He admitted, however, that the problem was one which required time for its solution, and that it would take the dying down of the war fever and of the remembrance of ancient tyrannies to bring this issue to any settled working out.

In advocating the formation of a League Minorities Commission, Mr. MacDonald was ap-

proving a German proposal. It was Dr. Stresemann who first formally presented this project to the Council of the League, and who later supported it before the Assembly. Had he lived, Germany's great foreign minister would undoubtedly have kept the question under agitation until some agreement had been secured for an annual accounting of the methods whereby the various European nations were discharging their trusts under the provisions for the protection of minorities which are incorporated in the treaty of Versailles. To what an extent Germany, without Dr. Stresemann's leadership, can carry this project forward it is impossible to forecast. Certainly most of the nations which are plagued by the minority problem will resist to the utmost any form of League interference in their dealing with it.

It will be at once apparent how directly the proposal to form a United States of Europe bears on this question. It is bound to be a long time, to be sure, before any such union could have much political importance. Its first importance must be in the economic realm. But its influence would, from the start, be thrown against the

exaggeration of national divisions. Thus it would help to modify to some extent the feeling of states that they must quickly impress their distinctive national characteristics on minority groups within their borders. And in the long run, as the United States of Europe became a political as well as an economic reality, the minority question would disappear entirely.

4. *Security and Armaments*

A third example of the sort of political problem that encourages interest in the formation of a European federation is that presented by the continent's present burden of armaments. Every responsible European statesman deplores the size of Europe's armies, for the taxation burden which is involved is one immediate cause of Europe's general poverty. Moreover, army service keeps a tremendous aggregate of men from engaging in productive work. Common sense, therefore, urges immediate and drastic reductions in practically all of Europe's military establishments. But with the temper of the continent what it is, no state—except Denmark—has yet seen its way

clear to bring such reduction to pass. The lack of success which has attended the efforts of the Disarmament Commission of the League of Nations has become a standing European joke.

It is worth while looking at the present European military establishment. I have taken the figures that follow from the most neutral and dependable source available, the Armaments Year Book for 1928–29, published by the League of Nations. Because of their special relation to a proposal for a United States of Europe two of the most heavily armed states, Great Britain and Russia, are not included in the enumeration. In the case of several states it is difficult to distinguish between what should be included in this enumeration, which is meant to give only the present effective forces, and what should be placed under the head of reserves. For this reason, all such tables will vary slightly. But these figures cannot be far wrong. The principal point at which they may be questioned is as to the number of effectives in the Swiss army. The militia system in Switzerland makes it difficult to divide between effectives and reserves, but the figures given are for men on active duty.

	Population	*Army Effectives*
Albania	831,877	14,009
Austria	6,603,588	20,358
Belgium	7,932,077	65,163
Bulgaria	5,596,800	32,571
Czechoslovakia	14,438,971	127,012
Denmark	3,452,000	12,000
Estonia	1,115,094	17,340
Finland	3,558,220	28,083
France	40,960,000	614,378
Germany	63,318,753	99,191
Greece	6,197,167	67,121
Hungary	8,522,230	53,672
Italy	40,796,000	546,709
Jugo-Slavia	12,492,000	113,916
Latvia	1,870,520	20,450
Lithuania	2,286,368	23,521
Luxemburg	271,230	338
Netherlands	7,626,072	32,126
Norway	2,788,893	15,572
Poland	30,212,900	253,824
Portugal	6,080,135	47,440
Rumania	17,694,189	189,439
Spain	22,127,699	221,618
Sweden	6,087,933	20,931
Switzerland	3,980,000	156,061
Total	316,840,716	2,792,843

When it is realized that, in addition to these huge standing armies Europe's states also maintain enormous reserves, the drain of this military

establishment can be understood. It is impossible to tabulate satisfactorily the military expenditures involved, for the basis of the defense budget varies so between countries as to make comparison impossible. One country will include under the head of defense all its pensions; another, like Portugal, will place there much of its colonial expenditure. The attempt of the commission on disarmament of the League of Nations to induce member states to adopt a uniform and dependable method of reporting military strength and expenditures has so far resulted in nothing, although the representatives of leading European states were able to agree on a standard form of report. Roughly speaking, however, it is possible to say that Europe is spending about $3,000,000,000 yearly in maintaining its defenses.

5. *Europe's Burden of Taxation*

The burden of taxation which this involves is staggering. On the basis of reports to the League of Nations it is possible to tabulate the following facts concerning the tax burden borne by European states during the fiscal year 1928–29:

	Receipts from taxes in local currency		*Receipts in American currency*
Austria	1,142,000,000	krone	$161,022,000
Belgium	7,420,500,000	franc	1,031,449,500
Bulgaria	4,116,000,000	lev	276,352,000
Czechoslovakia	8,773,300,000	koruna	259,689,680
Denmark	$342,800,000	krone	$91,872,400
Finland	2,063,900,000	markka	50,010,280
France	38,447,900,000	franc	1,505,512,890
Germany	8,862,000,000	mark	2,018,018,000
Greece	6,030,400,000	drachma	78,395,200
Hungary	598,000,000	pengo	104,052,000
Italy	15,484,200,000	lira	814,468,920
Jugo-Slavia	7,109,100,000	dinar	125,120,160
Latvia	117,000,000	lat	22,581,000
Netherlands	540,000,000	gulden	217,080,000
Norway	299,000,000	krone	79,833,000
Poland	2,094,300,000	zloty	234,561,600
Portugal	1,137,000,000	escudo	50,823,900
Roumania	31,267,100,000	leu	190,729,310
Spain	2,746,500,000	peseta	465,919,000
Sweden	560,300,000	krona	150,160,400
Switzerland	336,000,000	franc	64,848,000

The significance of these tax receipts cannot be appreciated unless they are compared with the population of the nations involved, as shown in the preceding table, and with the general poverty of the inhabitants of most of these coun-

tries. It is easy to pick out the states in which the military establishment is small.

The economic benefit which would come to the continent if this source of expenditure could be reduced is incalculable. In the case of Germany, for example, where a large measure of enforced disarmament has taken place, it is clear that the saving on the defense budget will go a long way toward paying the heavy pension and reparations charges. For while pre-war Germany had a military budget of approximately 1,100,000,000 marks, its present budget for military purposes is only 500,000,000 marks. And while this saving is eaten up in war pensions, Germany gains the productive labor of 500,000 men released from military service, which should be no small item on the credit side of the national ledger.

But the other nations, except those that have been like Germany forcibly disarmed, see no immediate hope of reducing their expenditures for military purposes. The divisions and suspicions of the continent go too deep to make any real disarmament possible under the present system. Here again, the coming of a United States

of Europe might prove a means of salvation. Not immediately, for European tradition would probably make disarmament the last step in a program of federation. But in the long run, any sort of union of European states is bound to lessen the tension. Out of that, together with an accompanying growing realization of a community of interest, the way toward disarmament should open.

As long as they remain the divided states of Europe, nobody seriously expects the nations of the continent to disarm. But as the United States of Europe it would be impossible to justify a continuing competitive armament. The ultimate solution of this problem, then, is another of the political factors that impel European leaders to an interest in the movement toward a European federation.

CHAPTER IX

ENGLAND, RUSSIA AND THE U. S. E.

1. *Will Britain and Russia Join?*

WHEN Count Coudenhove-Kalergi first outlined the possible borders of a United States of Europe, in his book "Pan-Europe," published six years ago, he left both Great Britain and Russia outside. Both, he contended, had become world powers in themselves. In the future neither would have major interests on the continent. Great Britain was being pulled toward other parts of the world by her membership in the British Commonwealth of Nations, scattered over every part of the globe. And Russia was being pulled toward Asia by her vast interests there and by her rejection of the democratic political system of Europe.

In the event of the formation of a United States of Europe, is this likely to be the situation? What attitude are England and Russia likely to take toward such a movement if it attains formidable proportions? It is, of course, impossible

to forecast any nation's action with certainty. The actual establishment of a United States of Europe seems a considerable distance in the future, if it ever comes to pass. By the time of its accomplishment, new elements may have entered into the situation which will have a transforming effect on the British and Russian point of view. But still it is possible to predict, with a fair degree of confidence, what both states will do in case membership in a Pan-European federation is offered them.

2. *Britain's Industrial Crisis*

There are many reasons why Great Britain should be interested in the formation of a United States of Europe. Admittedly, her economic situation is far from satisfactory. Her trade shows no such impressive recovery from the effects of the war as that of Germany, France and Italy. Conditions in several of her basic industries are gravely alarming. Her unemployment problem has so far defied all efforts at solution. Any rearrangement of Europe that would lower tariff barriers and open new markets to her prod-

ucts would certainly receive British approval. But whether that approval would involve Britain in actual membership in the European union is another question.

Any contact with the coal situation in Great Britain would lead one to believe that her coal interests must be eager for participation in some new form of international organization. The coal production of the United Kingdom averaged 24,337,000 metric tons per month in 1913. In 1928 it averaged only 20,129,000 tons monthly. And the worst of this is that, as matters now stand, with Germany, France, Poland, the Netherlands, and other countries determined to hold the markets they have gained in the last fifteen years, there is no prospect of Britain's coal trade ever being able to dispose of an output much larger than that of 1928. This means that an industry which is organized to produce at the rate of 300,000,000 tons a year, or a little more, is constricted to sales of at least 50,000,000 tons less than its expected output.

Out of this situation arises Britain's terrible unemployment problem in the coal fields. Anyone who has been in South Wales, and seen the

hopelessness which has descended on whole sections of the population there, knows that it involves thousands who are not only unemployed, but are rapidly becoming unemployable. I will never forget visiting a number of clubs for unemployed unmarried miners which the Quakers are conducting in the Rhondda valley. In those clubs there were numbers of vigorous young fellows who had been out of school from three to six years, yet had never in all that time been able to obtain work. It does not take much knowledge of human nature to know that a population which has no work for its young men, but condemns them to idleness for years after leaving school, is drifting rapidly toward moral dissolution.

Mr. J. H. Thomas, who has been entrusted by his colleagues in the Labor government with dealing with this unemployment problem in Britain, recognizes this situation. One of the most enlightening interpretations of his policy was contained in a speech which he delivered before the annual convention of the National Union of Railwaymen, the union of which Mr. Thomas has been the leader for years. "Grave

as the position may be financially," said Mr. Thomas, "to see hundreds of thousands of men losing hope, losing the spirit of independence, losing the appetite for work, merely looking for a short cut to live, is a far graver danger to the future of our country."

Despite this general recognition of the serious nature of the situation in Britain's coal industry, there is as yet no sign of any solving of its problems. It is admitted that there are at least 250,000 surplus miners, but the process of finding them places in other industries goes forward with exasperating slowness. It is admitted that many mines are so located or so equipped that they cannot be worked efficiently, but appeals for rationalization make little impression on the owners' individualism. It is admitted that much export coal is being sold at a loss, the theory being that the home market must make up the difference in order to hold the foreign trade, and so keep many mines operating.

In the face of such a situation, one would expect the industry to be eager to amalgamate at home, to rationalize, and to support the formation of a European economic federation, inside

which it might arrive at some working agreement with the coal interests of Germany and other continental countries that would save them all from future bankruptcy, and make possible a return to a fair degree of prosperity. But no such eagerness is manifest. Neither at home nor abroad do Britain's coal interests show any desire to surrender their present individual independence. The one important step made in that direction within Britain, the South Wales Coal Marketing Association, has broken down. Interest in an international agreement has never been strong enough to reach the point of discussion.

I am aware, of course, that these assertions will be challenged in the light of the developments which have taken place in the British mining industry since September, 1929. At Geneva the British delegation to the League Assembly set on foot a movement looking toward an international conference and convention to control conditions of work and wages in coal mining. This is aimed to protect Britain's export coal trade against the necessity of selling at ruinous prices in order to compete with the low-wage, long-hour miners of certain parts of Europe. At

almost the same time, a scheme of control has been approved by a committee of important coal operators in England. If the various district associations accept this scheme, it will put the industry under an agreement calculated both to regulate output and control prices. In other words, Britain's coal industry will have begun to rationalize.

Despite these developments, however, I have determined not to change the paragraphs describing the British coal industry from the form in which I originally wrote them. For it needs to be pointed out that none of these rationalizing plans or moves toward international control are the work or wish of the mine operators. They have opposed such plans at every step. These proposals come now simply because a Labor government is in power—a government which does not intend to allow the disorganization in the industry to continue longer. It is because the government has served notice on the operators that unless they rationalize their industry the government will nationalize it, in some form, that the first signs of a change of attitude in responsible quarters begin to appear. But if Labor should lose office there is no guarantee whatever

but that Britain's coal operators would fall right back into their former implacable individualism, no matter what ruin might ensue.

3. *Unemployment in England*

The situation regarding British textiles is almost as bad as that in the coal industry. During the past summer Lancashire witnessed the lock-out of practically the entire cotton spinning trade. Unemployment conditions in the textile towns of England are much like those in the coal mining regions. Even in iron and steel, where production is about back to the pre-war level, the outlook for the industry as a whole is anything but cheerful.

In an interview last summer Mr. Lloyd-George spoke confidently of the unemployment scheme which he had advocated in the general election as a means of providing work for the surplus of unemployed during the next five or ten years, at the end of which period Britain's international trade might be expected to be back at the pre-war maximum. But as a matter of fact, with the rapid development of European

competition, and even—as in the case of Japanese textiles—of competition in other parts of the world, it takes a strong optimism to believe that Britain's pre-war economic position will be completely restored in another decade. In fact, it takes considerable optimism to believe that, in comparison with the trade of other nations, it will ever be restored.

4. *Why Britain Holds Off*

In April, 1929, the statistics of the United Kingdom showed that, out of a total of 11,881,500 workers, 1,181,375 were receiving unemployment benefits. With one worker in ten out of work, England would seem to be a fertile field for the doctrine of a Pan-European union, inside which tariffs should be abolished and materials and markets made free of access. But the British tradition of world free trade, held as strongly by the laboring classes as by any group, rebels against any scheme that involves a tariff wall to block the entrance of food supplies from any part of the world into the British Isles. Even the slogan of "Free trade within the empire," which

has been raised by various politicians, fails to charm the average British voter. He is in favor of free trade within the empire, but he is equally in favor of free trade outside the empire. The rumor of a threatened "stomach tax," which he believes would be involved in any tariffs against the importation of foodstuffs from any source whatever, is enough to bring about the downfall of any government.

There are, of course, some import duties in Great Britain. Free trade is not quite as free as once it was. This, too, is to be regarded as a result of the war, for it was under the stress of that conflict that the "safeguarding duties" on certain luxury articles were first imposed. These were specifically stated to be temporary tariffs, and were supposedly imposed in order to discourage the importation of luxuries at a time when Britain needed every ton of shipping she could command for the transport of food and munition necessities. But the safeguarding duties have remained in force ever since the end of the war. Some of Britain's industries have prospered under their protection. This is particularly true of her motor-car manufacturing. Yet it is clear

that the English public does not propose to allow this concession to the protection principle in the matter of luxuries to be extended into a tariff system covering general commodities. The suspicion that the Conservatives might favor such a policy went a long way to drive them from office.

For this reason, it seems altogether likely that, despite the gains which certain British industries might find in the entrance of Great Britain into a European economic federation, Britain will remain outside. She will encourage the formation of such a federation; she will hope to find some basis of close cooperation in case it is formed. But she will not join. It was interesting to note that, at the session of the League Assembly in which M. Briand launched his United States of Europe program, while British delegates gave the Briand proposal many kind words, it remained for one of them, the president of the British Board of Trade, Mr. William Graham, to remind the Assembly that, after all, that is something a long way in the future, and that the most practical step to be taken at present is a general agreement at least not to raise tariffs any higher for another two years.

5. *Russia and Pan-Europe*

Will Russia enter a United States of Europe? No such objections growing out of traditional economic policy arise in her case as in that of Great Britain. Russia is not a free trade country. Many of her present customs duties are the highest in Europe, if not in the world. The whole idea of bringing together autonomous states in a federation for purposes of mutual protection and development is congenial to the theory on which the Union of Socialist Soviet Republics has been based. Moreover, M. Briand has been credited in the press with holding that one major benefit of the formation of a Pan-European federation would be in bringing Russia back into the European circle. But would that come to pass?

As in the case of England, free trade with western Europe would undoubtedly benefit Russia. The soviet state is working desperately to transform Russia into a highly industrialized state. The much advertized "five year development program," which concentrates attention on the expansion of the industrial structure, occupies the same place in Russian conversation that pro-

hibition has occupied in American. If it could be so arranged that Russia could exchange freely her surplus cereals for the manufactured articles and tools of western Europe, she would find that an immense help in gaining the goals which her industrial development program has announced.

Yet, despite these seemingly obvious economic advantages, it is hard to believe that Russia would come into a Pan-European federation. When M. Briand extends the tentative gesture of invitation to her, the one fact to which he fails to give sufficient weight is Russia's attitude of belligerency toward all other nations. Yet that is the key fact in any understanding of present Russian policy. Russia protests her devotion to peace, and with considerable justification, for her leaders well know that any outbreak of war within the next dozen years would probably ruin their program. But Russia expects war. She regards war as inevitable. Several years ago Lenin warned her that the capitalist world would not permit a non-capitalist state to grow strong. Russia takes the theory of ultimate war with the rest of Europe —and with the United States, for that matter— as so much holy gospel.

6. *War Against Europe*

Russia's industrial program, therefore, is fundamentally a means of preparing for this coming war. The three large internal loans that have been subscribed by her poorly-paid workers have owed their success to the promise that they would aid in making ready for the coming conflict. The main items in the five-year development program are items which are of fundamental importance in making self-sufficient a nation at war. During the past summer, while relations with China have been so strained, it has been common to hear Russians say, "Of course, we don't want to fight now. But wait until our development program has been completed in 1932. Then if anybody tries to take advantage of us, see what happens!"

This preparation of Russia for war, under the fear of coming attack, deserves much more extensive treatment than I can give it here. Here I can only refer to its existence. But because it exists, the present rulers of Russia will certainly never go into a federation that might give the capitalist states of Europe the slightest measure of

influence over their political policy. It is almost equally unlikely that they could be induced to enter a union that might give these same capitalist states any measure of control over their economic policy. Russia regards the rest of Europe as an enemy. She will not be surprised to see the divided states in the rest of Europe drawing together. Indeed, she will interpret this move as one more step toward the day of inevitable conflict. But she will hardly care to join forces with the enemy.

As far back as 1923 Count Coudenhove-Kalergi predicted that, if Europe did not unite, it would lay itself open to Russian invasion and conquest. "History gives Europe the following alternative," he declared, "either to overcome all national hostilities and consolidate in a federal union, or sooner or later to succumb to a Russian conquest. There is no third possibility." It is hard to believe that the choice is as clear-cut as that. Why Russia should be certain to undertake a western drive if Europe continues her present nationalistic divisions is hard to say. Russia's ambitions and expansions are much more likely to push her eastward than toward the west.

But it does seem that Count Coudenhove-Kalergi's forecast of the constitution of any Pan-European federation is substantially correct. Unless the public temper in both states changes radically, when the day comes for the drawing of the boundaries of any United States of Europe, Great Britain on the west and Russia on the east will have to be left out.

CHAPTER X

OBSTACLES TO BE SURMOUNTED

1. *Europe's Prevalent Skepticism*

TO an American, there seem to be no end of reasons why the movement to form some sort of European federation should succeed. There are scores of political reasons why it would prove of value. There are even more economic reasons in its favor. And many of the most influential leaders of the continent have pronounced in its favor. Yet it must be admitted that if the question is broached, the usual well-informed European will say, "A United States of Europe? Oh, a fine thing, undoubtedly. I wish that it might come to pass. But . . . "

Why that prevalent "but"? Why, if there are so many reasons in favor of such a project, should it be regarded with such general skepticism? What makes the same European who applauds most heartily M. Briand's public appeal for unity confess in private that he regards the whole notion as a dream? Is there any real chance for the for-

mation of a European federation, or is there not? And if not, why not?

I shall attempt in this chapter to summarize, with necessary brevity, some of the conditions which serve to make the majority of Europeans skeptical as to the outlook for this movement. Too many of these the American observer, in his enthusiasm for the abstract idea, fails to keep in mind.

2. *A Thousand Years of History*

One thing that the American forgets too easily is Europe's thousand years of history. But this historical background constantly exerts its influence, and in a multitude of ways, on present Europe practice. For example, in regard to the proposal for a European customs union it has a negative influence by virtue of the fact that the past contains only one instance of a really successful attempt to establish a *zollverein*. The idea of a customs union of some kind has frequently been proposed, at least for sections of Europe. But only in the case of the German *zollverein* which preceded the establishment of the German em-

pire can it be said to have been successfully tried. Even in that instance, the evidence indicates that the customs union was more an expression of the desire of the various German states to get together, and was more a step on the way toward the later political union, than anything else.

The customs union succeeded, in other words, because Germans generally desired union of all kinds, and were glad to adopt as much union as was at that stage possible. It would be an optimist indeed who would declare that the various peoples of Europe are today *eager* for union with one another. Historical precedent, therefore, is against the United States of Europe project. Of course, this does not settle the issue. As I have already tried to show, such developments in the field of industry as the international cartels and the rationalization processes show that an important part of Europe is ready to break with precedent. But precedent does have its continuing influence, just the same. And here it must be counted on the negative side.

3. *Tasting a New Freedom*

But if Europe's ancient history must be taken into account, its modern history must be even more regarded. When considering the prospects of the movement for a continental federation, it should be remembered that there are seven nations that have been on the modern European map for only ten years, while there are at least that many more who feel that their first chance for a real place in the European sun has come to them since the close of the war. All these nations are intensely nationalistic. Their people have endured the status of subjugated minorities for generations, and even centuries. Now the long dreamed day of liberty has come. Naturally, they regard this liberty as something to be guarded with extreme jealousy.

Does it need exposition to show that these new nations are not likely to greet the proposal for a United States of Europe with any great enthusiasm? What, they ask, does M. Briand mean by his talk of "federal links"? To be sure, he is careful to explain that he is not suggesting any loss of sovereignty, and that each nation

within his proposed federation is to remain completely autonomous. But is it? Will the effect of such a union not be, in actual practice, to put the small members under the domination of the large? And will not the young states who enter it awake in a few years to find that their independence is a sham, and that they are really as much under external control as when they were ruled from Saint Petersburg or Vienna?

As a matter of fact, there is much reason for the misgiving of the small nations. Despite the assurances of M. Briand and the other exponents of the Pan-European idea, it does not yet appear how a federation of the continent is to be brought to pass without involving a real loss of sovereignty on the part of the constituent states. It is all very well to talk about putting a tariff wall around the outside edge of Europe, and leaving the states within that wall entirely autonomous. But can that be done? Who is to say how high the wall around the outside is to be? And who is to say how the proceeds derived from goods coming through that wall are to be divided? Certainly the states of Europe cannot answer either of these questions without surrendering to

some extent their present unrestrained sovereignty. And almost as certainly, in actual practice the answers would be practically dictated by the large industrial states, whose business interests would be most involved. The jealous attitude of Europe's new nations toward their own prerogatives is therefore to be accounted a second major obstruction on the road toward a Pan-European union.

4. *Maintaining Economic Independence*

The new nations have economic, as well as political, reasons for hesitating to enter a United States of Europe. With the exception of Poland and Czechoslovakia, these nations are not heavily industrialized. And even the two states named are, when compared with the states of western Europe, still largely agricultural. All these states, however, have dreams of a future strong industrial life of their own. And they do not want this future industry to be pouring its profits into foreign coffers. France, Germany and Belgium are just as foreign to them as the United States of America or Japan.

To be brutally frank about it, there is a general tendency in the economically backward states of Europe to regard the present agitation as a scheme of the big business interests of western Europe to absorb the business of the entire continent. This feeling almost never obtains open expression, for the budding business interests of the new states have their own reasons for not wanting to offend the industrialists of the well-developed nations. But it is there, and in private conversation it is put forward without any hesitation.

"If this proposal for an economic union is as altruistic as the French and Germans say it is," said a responsible leader to me in Warsaw, "why don't they suggest doing something about the total economic problem? They say that they want to help Polish business, and to insure Polish prosperity. But you will notice that the thing they are principally aiming at, the leveling of all tariff barriers within the continent, is something that is principally designed to help the nations with a present large production capacity to find new markets.

"I am quite in favor of the free exchange of

exports," this commentator went on. "But that is only one part—I should call it a one-quarter part—of the total European economic problem. We will never settle our economic difficulties until, in addition to the free exchange of exports, we have free exchange of raw materials, free exchange of credits, and free exchange of surplus population, by which the surplus of laborers in countries with a rising birth-rate can migrate freely to countries with a falling birth-rate. That is the total economic problem. When the Pan-European movement pledges itself to all four of those proposals, then I will regard it as something more than a scheme whereby the industry of the old states can grow strong at the expense of the industry of the new states. But until then, I am not much interested."

This may sound like undeserved suspicion, but the fact that it exists must be taken into account. Moreover, it must be remembered that the leaders of Europe's undeveloped states are not tremendously upset about the trade difficulties created by high tariff walls. Their people have few economic wants. Such industry as they have, although it is developing slowly, seems to

be keeping pace with the development of the market on which it depends. And this same industry regards the high tariff wall as the only thing which keeps the invasion of foreign industry out, and so keeps money at home. It is next to useless to talk, in these countries, about the undeveloped potentialities of their resources and markets. That is something that worries the real industrial titans of western Europe. As far as the business men of the undeveloped states are concerned, they are generally content to sit down behind the protection of their tariff barriers, collect what profits modest home industry affords, and wonder why they should let any high-power industrialist from Berlin or Brussels or Paris come in and take the market away from them.

5. *Italy and Pan-Europe*

So much for the opposition from smaller nations. The next fact that must be recognized is that at least one of the major nations of Europe is against a Pan-European federation from the start. I have already pointed out the improbability of either Great Britain or Russia entering

any continental union. Enthusiasts for the idea, like Count Coudenhove-Kalergi, say that Great Britain and Russia are not needed; that a Pan-European union can flourish without them. But no one will contend that a true United States of Europe can be formed without Italy. And there is little prospect that Italy, in its present mood, would go in.

Warning needs to be given at this point against taking too seriously the complimentary things that political leaders are at present saying about the United States of Europe idea. Important European interests are known to be supporting the idea, and no politician would affront those interests by casting scorn on their proposal. But there will be a tremendous difference between what is said in the council room and in the parliaments when it comes to the taking of definite action, and the pleasant words that now fill the air during the first weeks of the idea's proposal by M. Briand.

It is, therefore, altogether possible that Italians will say some complimentary things about the United States of Europe during these months of preliminary discussion. But it is almost certain

that, when the time for decision comes, Mussolini will hold Italy sternly outside. The underlying philosophy of a United States of Europe and that of fascist Italy are diametrically opposed. Mussolini's aim is primarily to make Italy a nation that stands alone; a nation that dominates its part of the world; a nation whose "sacred egoism"—to use his phrase—compels all others to treat it with the consideration due a unique political entity. To expect that such a nation will sink its individuality in a general European federation is to expect it to change its entire program and ideal. Italy must be accounted as another of the obstacles which the Briand proposal has to surmount.

6. *Where the American Analogy Breaks Down*

But when you have taken the temper of fascist Italy into account, you have only begun to reckon with the psychology of Europe. It is at this point that the analogy between the 27 states of Europe and the 48 states of America breaks down. Over and over, supporters of the United States of Europe idea have said, "Why don't the separate states of Europe do just what

the separate states of America did?" And they have pointed to the American federal union as something that evolved in the same way that the European federal union might come to pass. No analogy could be more misleading.

In the first place, it is not true that 48 separate states formed the American union. What happened was that 13 small and struggling colonies, having achieved a precarious liberty, formed a union into which they gradually absorbed the vast territory of an uninhabited and undeveloped continent. Moreover, these 13 colonies were inhabited by people with a high standard of culture, and with a single dominant language, religion and social background. To say that there is any likeness between such a situation and development as this, and the situation and development involved in forming a United States of Europe, is fantastic. The only justified comparison that can be drawn is in the statement that it has proved profitable to the 48 states of the American union to have a continental territory to develop without interference by tariff barriers, and it would prove profitable to a European union to find itself in the same situation.

There is no use in trying to predict the future course of European states without having regard to their present condition. And any honest consideration of the present situation in many parts of Europe must discover that future possibilities of economic or political gain will be given slight consideration while hatreds remain as they are today. I cannot take the space to write of these hatreds in detail. Nor would anything be gained by so doing. But a person who believes that a Bulgar is ready to join with a Serb, or a Pole with a German, or a Magyar with a Czech, or a Serb with an Italian, or any one of half a dozen other combinations, including that of most Germans with most Frenchmen, has certainly never felt the depths of rancour and hostility that divide these peoples.

In addition to these nationalistic divisions, there are others as difficult to surmount. The racial division between Latin and Slav, or between Teuton and Slav, is not to be lightly dismissed. Even more does religion divide. No war monument in all Europe equals in meaning the empty spaces of the great square in Warsaw on which stood the Orthodox cathedral that the

liberated Poles leveled to the ground. And the language barrier is still another difficulty that must be overcome.

If you take into account all these considerations, then add to them the general inertness that always makes difficult new developments in the field of international relationships, as well as the prevalent lack of faith to which reference was made at the beginning, it will be seen that the prospects for a speedy establishment of a United States of Europe are not bright. By this I do not mean to suggest that there is no chance of such a development coming to pass. Europe is genuinely on the move today, and there are strong forces, both personal and impersonal, pushing her in this direction. But Americans who greet the proposal for a federated Europe as the logical way out of the continent's difficulties should have no illusions as to the difficulties involved. They will not easily be overcome.

CHAPTER XI

HOW WILL THE UNITED STATES OF EUROPE BE FORMED?

1. *Going Ahead Despite Difficulties*

WHAT is the outlook for a United States of Europe? Is all the talk concerning it nothing more than talk, doomed to futility by the operation of circumstances over which politicians and industrialists have no control? Or will some sort of federation of Europe's divided states come to pass? It is impossible to close a study such as this without attempting to assess the possibilities for the future.

It has already been made clear that there is a general interest throughout Europe in what is known as the United States of Europe idea. Important leaders have announced their support, and by so doing have given the proposal immediate political importance. It has also been shown that Europe, although it has given evidence of surprising vitality in its recovery from the war, faces a gloomy economic future if the present

division of the continent into small and mutually exclusive industrial areas continues. The international cartels and the progress of the rationalization movement have been referred to as proving a European readiness to adopt new methods, while the importance of Pan-European federation in solving political as well as economic problems has been pointed out. On the other hand, the enormous difficulties that stand in the way of the enterprise have been at least suggested.

M. Briand's appeal at the recent session of the Assembly of the League of Nations shows that an effort will certainly be made to surmount these difficulties and to form some sort of European federation. Leaders such as M. Briand, Herr Stresemann, M. Hymans, Dr. Benes, and others in charge of the foreign policy of European states, are too deeply committed now to permit any hesitation because of the obstructions in the way. They must go forward. The question is as to which one of several roads they will take in order to reach their goal.

2. *First Moves Toward a Plan*

Let it be clearly stated at once that all present forecasts of the future course of the United States of Europe movement are pure speculation. There is no formal plan under consideration, either by separate states or by the League. A few days after his Assembly speech M. Briand gave a luncheon to delegates from 27 European countries, at which he urged upon them their support of the movement. It is understood that it was agreed at that luncheon that M. Briand, after soliciting suggestions from many sources, should draw up a definite proposal, outlining a possible procedure, which should be circulated in memorandum form among all the states of Europe. On the basis of their reception of this coming memorandum, the states would be able, at next year's session of the League Assembly, to decide on a positive line of action.

There is no way, however, of forecasting what the contents of the Briand memorandum will be. Indeed, there were delegates at the Assembly session who were skeptical enough to doubt whether M. Briand himself, when at Geneva,

was quite sure what he wanted to have done. Such skepticism is hardly deserved, for the French premier is not one to announce a general project until he has a fairly clear idea as to how that project may be realized. But it still is true that no inkling of the Briand plan has as yet reached the public. Even the League delegates who listened to M. Briand's personal appeal for support were left in the dark as to exactly what the proposal they were to support was.

If there is as yet no Briand plan, at least for public consideration, European council tables are equally clear of other definite proposals. In other words, matters are in that formative shape where numbers of individuals and organizations are demanding the formation of a United States of Europe, but no responsible body has as yet launched a clear-cut program for the achievement of that purpose. It is known, however, that the committee of the League Assembly which deals with economic questions—officially known as Committee Number Two—has, as a result of M. Briand's speech to the Assembly, begun informal discussion of the outlook. The course of this discussion has, in general, now become pub-

lic knowledge. Out of this discussion it is possible to suggest a course that the development of the movement may follow.

Discussion in the League committee has been stimulated by the circulation of a memorandum on the United States of Europe idea prepared by Sir Arthur Salter. Sir Arthur Salter is the permanent head of the economic and financial section of the League. As such, he has unrivalled facilities for knowing both economic conditions and points of view in every European country. His memorandum has no official status whatever. It is not a League document; it was not prepared for general distribution. It is simply a survey of the problem involved in forming a European federation, prepared for Sir Arthur's own use, but shared by him with the members of the League committee when they requested a chance to study it. It is entirely objective in attitude; it does not favor any plan of future action. The members of the committee, however, are reported to have found the memorandum of great value in making the present situation clear, and in indicating various possibilities that the future may hold.

3. *Instead of a Zollverein*

It will be remembered that the World Economic Conference, which met in Geneva in 1927, called for a general reduction of European tariffs, by unilateral, bilateral or multilateral action. It is understood that the Salter memorandum, opening with a review of the effects of this action, admits that it failed to accomplish what was hoped. On the whole, European tariffs today are, if anything, higher rather than lower than they were two years ago. There has followed, therefore, the proposal to do what the resolutions of the World Economic Conference failed to do by forming a United States of Europe; a federation to establish complete free trade within the limits of Europe. In other words, a European zollverein.

Committee members are understood to agree with Sir Arthur Salter in the belief that a European zollverein has, at this time, almost no prospects of success. The history of such unions has shown that, unless there were overwhelming political motives behind them, driving the members toward an extremely close political associa-

tion, they do not work. But if a zollverein is out of the question, is there any method of procedure that holds out hope? The discussion has tended to consider favorably some such program as the following:

It is understood that, in agitating for a United States of Europe, the real thing Europeans seek is release from the economic disabilities imposed by existing tariffs. Modern industrial prosperity, according to the economists, depends on mass production: mass production depends on mass markets; mass markets are impossible in Europe until the tariff walls come down. Therefore it is suggested that, following the preliminary agitation in the Assembly of the League, and the expected circulation of the Briand memorandum, a new economic conference of all European governments might be called.

4. *A Possible European Conference*

The purpose of this conference has been expressed as the drawing up of instructions to the economic organization of the league, "in view of the natural tendency of industry to develop on a

basis of large scale production, which requires secure and free entry into large markets, and of the consequent handicap to smaller economic units, to consider the best practical measures for the enlargement of these units; and to prepare the basis for a general conference to be held at a later date for the adoption of such measures." Another suggestion which is said to have come before the committee would state the purpose of such a conference more bluntly as "to examine the special difficulties that arise from the great difference in size and importance of existing economic units and consider the best practical measures for overcoming them." Whatever the phraseology that might be used, the purpose is plain.

A new twist is given to the proposal for such a European economic conference by the recommendation, first contained in the Salter memorandum, that the preliminary conferences should be attended by the responsible political leaders of the various European states. Ordinarily, economic conferences are left to the industrialists and economists, with ministers of finance and commerce giving such official flavor to delegations

as is desired. Progress toward a United States of Europe, however, is felt to involve such important political factors that foreign ministers and premiers would participate in the negotiations.

5. *The Birth of a U. S. E.*

Out of this general European economic conference, when it should finally be held, it would be hoped that some sort of general association of European states would emerge. In the beginning, this association would perhaps do no more than pledge its members not to increase their tariffs for a fixed period. It will be remembered that the president of the British Board of Trade, Mr. William Graham, followed M. Briand's speech at Geneva with an appeal for just such a tariff-raising holiday. But this period, during which tariffs were pledged to remain stable, would be regarded as merely a breathing-space during which a positive program of tariff reduction might be adopted.

What form this program would take would, of course, depend on the temper of the nations at the time they joined the proposed general asso-

ciation. The League committee had before it, among other proposals, one by which tariffs would be divided into three categories—high, medium, low—with reduction taking place in all three, but a greater and more speedy reduction in the high than in the medium, and in the medium than in the low. Using fixed percentage reductions in each category for stated periods, the point should finally be reached at which European tariffs would be eliminated. It is practically certain that, in the actual working out, any such plan would have many qualifications and modifications attached to it. But, as it stands, it can be said to represent fairly well the way by which European leaders, who admit that a full zollverein is out of the question, hope to achieve a tariff agreement of some such sort as is implied in the "United States of Europe" slogan.

6. *Most Favored Nations*

This future program, as I have sketched it, looks comparatively simple. The trouble is that it achieves this simplicity by leaving out of consideration one tremendous factor. But every

European knows that this factor will require handling in any United States of Europe scheme that may be proposed. I refer to the Most-Favored-Nation clause. This clause is to be found in a majority of existing commercial treaties. All the commercial treaties between the United States and European countries contain it. It is the device, meant to protect international commerce against unfair discriminations, whereby a state guarantees that it will grant to the state with which it concludes the treaty in question, the same terms of commerce that it gives to its "most favored nation." In other words, the most favored nation clause acts to see that there are no favored nations; that all are on a par.

With any consideration of the problem presented by the most favored nation clauses of existing treaties, the gigantic figure of Uncle Sam again overshadows the European landscape. For when the European states wish to abolish the tariffs which divide them into impossible industrial areas, they are confronted by the fact that they are bound, by most favored nation clauses, to accord the same treatment to Uncle Sam.

Can Americans look at the dilemma this creates through European eyes? Here, on the one hand, is the colossal industry of America, grown mighty by its possession of a continental market within which there are no tariff handicaps. This industrial giant has set up high tariff walls to keep out the goods of the rest of the world, and is now apparently bent on building those walls still higher. Moreover, so great is his strength that, at the first sign of opportunity, he is ready to reach out and absorb the rest of the world's markets.

Then here, on the other hand, is war-torn, shaken Europe, with its economic future threatened by the division of its continent into small and competitive economic areas. Europe needs desperately to take down the walls that divide these areas off from one another. If she can secure a united and free continental market she, too, can develop her industry to the point where her people will be assured of prosperity. But, the minute she takes down these walls to help her own development, the most favored nation clause throws open the whole territory to the American giant. Striding out from behind his own high

walls, this giant will seize the European market before Europe herself has a chance to develop it.

Looking at the situation in this light, the European asks himself what he is to do with the most favored nation clauses. Naturally, a considerable portion of European opinion now favors abolishing them altogether. But a course so drastic would be sure to stir up international ill will. Moreover, it would require a long time to carry it into effect, waiting for various existing treaties to have their renewal dates fall due. What other possibility is there? The proposal is being increasingly made that Europe might deal with the problem of America's most favored nation clauses by "interpreting" or announcing "reservations" to the present understanding of those clauses. Both words have a familiar sound.

What is meant is that the economic commission of the League has already decided, in connection with another question, that a reservation to a commercial treaty can be justified "in the case of plurilateral conventions of a general character and aiming at the improvement of economic relations between peoples." Here surely, says the European, is a situation that fits this condition.

Then let the European states, in their proposed association, announce a general reservation to their existing commercial treaties, whereby the benefits of the tariff reduction within Europe would extend only to the members of the association.

7. *How Would America Respond?*

Immediately the question arises, How would the United States take such an act on the part of the European states? The answer would seem to depend largely on the sporting attitude of American industry. A procession of American industrialists has been calling on Europe to do away with her tariffs. But are they willing to have Europe do this in such a way as not to make her markets an open prey to American invasion? As matters stand, with America holding her own high tariff and at the same time ready to profit under the most favored nation clauses, America can regard the whole situation in Europe as a "Heads I win; tails you lose" affair. But if America were willing to let Europe go ahead and create an economic unit enclosing a market with a consuming capacity about equal to her own, in

order that the two large units might then face, and compete, and cooperate with each other on something like equal terms, the formation of a United States of Europe would be immensely simplified.

It will not do, in the face of the difficulties within Europe and the difficulties created by America's commercial position under the most favored nation clauses, to talk too optimistically of the prospects for a United States of Europe. One is bound to respect the courage of the European leaders who have espoused this cause. The odds are against their success, and no public man wants to be identified with failure. But they are men of ingenuity and power, and I am inclined to believe that, eventually, they will bring some sort of European federation to pass.

The United States of Europe will come much more slowly than current propaganda might lead the casual reader to expect. But it will come eventually because of the pressure of the world economic situation. There is still too much vitality, too much pride in Europe to allow that continent to be content to watch the establishment of an American industrial hegemony. Some

way will be found to bring Europe's divided parts together. This union will start as an economic federation—a matter of tariffs and imports and exports. But as soon as the economic federation is established, it will find itself so involved in the solution of political questions that there is no forecasting what closer political affiliations may finally come to pass.

CHAPTER XII

IN CONCLUSION

IN presenting this treatment of the United States of Europe movement to the American public I have sought only to act the part of a reporter. That great journalist, Rudyard Kipling, long ago wrote that a reporter's duty is contained in answering the questions asked by his "six trusty serving-men"—what? where? when? why? how? who? This book is simply an attempt to answer those six questions as they confront the proposal to form a federation of the states of Europe. It does not attempt to pass judgment on the wisdom or importance of the movement. It tells whence the movement has come, and why, and whither it seems to be traveling. With that, the book must be content.

Yet I am sure that the reader who has been interested enough to read through the material presented in reporting the fact of the movement, must also have formed some impression of its importance. I do not see how the observer of

world affairs, however hurried, can overlook this importance. In these pages it must have become clear that the formation of a United States of Europe is bound to have far-reaching effects on Europe's economic future. That will be the first effect, if the plans of M. Briand and those who work beside him toward this end are carried to fruition. The industrial life of every nation in Europe will expand under the stimulus of access to new materials and new markets. And this expansion will bring its benefits to the cottage of every factory worker, every farmer, every laborer.

But the creation of a Pan-European federation will inevitably have more than economic effects. It will ultimately and profoundly change the political life of the entire continent. Today the states of Europe view each other with suspicion, maintain huge armies to "protect" themselves against one another, conduct their affairs as though their neighbors must be regarded as potential, if not active, enemies. A federation that unites the economic life of these peoples will certainly destroy this provocative and dismal political outlook. Give Europe a generation—

perhaps only a decade—of economic unity and you will be in clear sight of political unity.

And that is peace. There is peace, of a kind, in Europe today. Nations have guaranteed each other's boundaries. Nations have pledged themselves against resort to war. Nations have signed commitments to arbitration. All these things are to the good. They are pushing a divided Europe farther and farther toward peace. But there is still lacking, behind all treaties, and underneath all formal pledges, that emotion of general trust and of a community of interest which must form, in the last analysis, the unshakable basis of peace.

To some degree, even that emotion is beginning to be felt. The sessions of the councils, the assemblies, and the commissions of the League of Nations are contributing to its appearance. These give the leaders of Europe a chance to meet together, to work together, to approach the solution of common problems together. But before the emotion can permeate European life there must be a meeting of Europe's masses. It must be a genuine meeting—not for a day or a month, but a continuous meeting, in which men look at each other as fellow-workers toward one goal.

That meeting a United States of Europe can, if it is formed, bring to pass. Because it can bring it to pass, the fortunes of this proposal should be of deep concern to every human being who hopes for the establishment of a permanently peaceful world order.

Writing in the Christian Science Monitor Count Coudenhove-Kalergi has expressed the opinion that the formation of Pan-Europe will be but the first step toward a wider unity. After Pan-Europe he envisages a federation that shall include Pan-America and the British commonwealth in a Pan-Atlantis. And after that a still wider confederation that shall include the Japanese in a union including all the world.

It is natural that this prophet of the Pan-European Union, encouraged by the reception which his idea has received during the summer of 1929, should now lift his eyes to a wider vision. There is much in his new prophecy to merit thoughtful consideration. But let that work out as it may. It is not a question for the immediate future.

Today it is enough to consider only the future of a divided, suspicious, and still antagonistic

Europe. Is there any way out of the morass in which the states of Europe find themselves caught? Is there any way for the people of Europe to secure a standard of life commensurate with that of the people of the New World? Is there any way for Europe to secure her peace?

Here is a way. Despite all the difficulties, here is a way so wise, so plain, that it is incredible that Europe, when once its peoples realize all that is at stake, can turn aside from it. It is on that, that one can rest a faith in the ultimate realization of what so many now call a dream—the formation of a United States of Europe.

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